

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

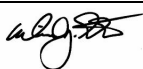
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **City of Westland, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2006**

**City of Westland, Michigan**  
**Financial Report**  
**June 30, 2006**

**MAYOR SANDRA A. CICIRELLI**

**City Council**

William R. Wild, President

Charles W. Pickering, President Pro Tem

James Godbout

Cheryl Graunstadt

Michael Kehrer

Richard LeBlanc

Robert Stottlemeyer

**City Administration**

Budget Director

Building

CATV/Community Relations

City Assessor

City Clerk

Community Development Programs

Construction Maintenance Superintendent

Controller

Economic Development Director

Executive Assistant

Finance

Fire Chief

Law

Management Information System

Parks and Recreation

Personnel

Police Chief

Public Service

Planning

Senior Resources Director

Water and Sewer Superintendent

Debra A. Szajko

Sue L. Dodson

Craig Welkenbach

James H. Elrod

Eileen DeHart

James Gilbert

Kevin L. Buford

Dwayne R. Harrigan

Bill Caya

Terry Carroll

Steven J. Smith

Michael J. Reddy

Angelo A. Plakas

Charles Nalbandian

Robert Kosowski

Keith Madden

Daniel Pfannes

Thomas Wilson

Bruce Thompson

Peggy Ellenwood

Don Rohraff

# City of Westland, Michigan

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# City of Westland, Michigan

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## Independent Auditor's Report

To the Members of the City Council  
City of Westland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan (the "City") as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and budgetary comparisons (identified in the table of contents as required supplemental information) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Members of the City Council  
City of Westland, Michigan

The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westland, Michigan's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

October 13, 2006

# City of Westland, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Westland, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- The State of Michigan reduced state-shared revenue, our second largest revenue, by \$60,000 this year. Although this decrease was smaller than the previous fiscal year of \$100,000, it represents the fifth straight year of declines. To offset the reduction in state-shared revenues, the City has made cuts to departmental budgets and delayed some capital expenditures.
- The total net assets related to the City's governmental activities decreased by approximately \$24.7 million. In addition, fund balances for the governmental funds decreased by approximately \$63,000 during the year. The General Fund unreserved fund balance increased by nearly \$52,000. The most significant difference between the increase in fund balances and the decrease in net assets relates to the capitalization and depreciation of capital assets in the government-wide statement of net assets.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.



# City of Westland, Michigan

## Management's Discussion and Analysis (Continued)

### The City of Westland as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 18,637,857	\$ 18,812,117	\$ 9,522,718	\$ 11,231,171	\$ 28,160,575	\$ 30,043,288
Noncurrent assets	<u>335,479,021</u>	<u>361,429,574</u>	<u>79,409,009</u>	<u>76,733,914</u>	<u>414,888,030</u>	<u>438,163,488</u>
Total assets	354,116,878	380,241,691	88,931,727	87,965,085	443,048,605	468,206,776
<b>Liabilities</b>						
Current liabilities	7,091,082	8,517,071	3,083,056	4,068,219	10,174,138	12,585,290
Long-term liabilities	<u>20,673,911</u>	<u>20,667,118</u>	<u>5,430,000</u>	<u>4,200,000</u>	<u>26,103,911</u>	<u>24,867,118</u>
Total liabilities	<u>27,764,993</u>	<u>29,184,189</u>	<u>8,513,056</u>	<u>8,268,219</u>	<u>36,278,049</u>	<u>37,452,408</u>
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	321,548,976	346,568,898	72,416,944	70,984,832	393,965,920	417,553,730
Restricted	9,864,004	10,235,138	792,065	792,065	10,656,069	11,027,203
Unrestricted (deficit)	<u>(5,061,095)</u>	<u>(5,746,534)</u>	<u>7,209,662</u>	<u>7,919,969</u>	<u>2,148,567</u>	<u>2,173,435</u>
Total net assets	<u>\$ 326,351,885</u>	<u>\$ 351,057,502</u>	<u>\$ 80,418,671</u>	<u>\$ 79,696,866</u>	<u>\$ 406,770,556</u>	<u>\$ 430,754,368</u>

The City's combined net assets decreased 5.6 percent from a year ago - decreasing from \$430,754,368 to \$406,770,556. This is generally a result of depreciation of the City's capital assets. For the year ended June 30, 2006, depreciation expense was approximately \$32,800,000.

Unrestricted net assets - the part of net assets that can be used to finance operations - is currently at a deficit of \$5,061,095 for governmental activities. This is generally a result of the accrual of the compensated absences of City employees, which will be paid from future revenue sources. This accrual is approximately \$8,800,000.

# City of Westland, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year:

TABLE 2	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Net Assets - Beginning of year</b>	\$ 351,057,502	\$ 374,540,458	\$ 79,696,866	\$ 78,772,620	\$ 430,754,368	\$ 453,313,078
<b>Revenue</b>						
Program revenue:						
Charges for services	18,360,099	18,722,006	17,446,376	17,750,043	35,806,475	36,472,049
Operating grants and contributions	6,731,510	6,846,978	394,450	93,629	7,125,960	6,940,607
Capital grants and contributions	569,251	935,381	1,869,205	2,204,287	2,438,456	3,139,668
General revenue:						
Property taxes	26,696,601	25,872,012	-	-	26,696,601	25,872,012
State-shared revenue	8,755,927	8,815,306	-	-	8,755,927	8,815,306
Refund of captured property taxes	2,494,975	2,316,593	-	-	2,494,975	2,316,593
Interest	1,083,209	411,458	148,009	74,235	1,231,218	485,693
Transfers and other revenue	72,515	63,000	(72,515)	(63,000)	-	-
<b>Total revenue</b>	<b>64,764,087</b>	<b>63,982,734</b>	<b>19,785,525</b>	<b>20,059,194</b>	<b>84,549,612</b>	<b>84,041,928</b>
<b>Program Expenses</b>						
General government	12,737,487	11,407,312	-	-	12,737,487	11,407,312
Public safety	30,595,885	29,492,883	-	-	30,595,885	29,492,883
Public works	36,612,766	37,097,029	-	-	36,612,766	37,097,029
Community and economic development	2,333,126	2,236,534	-	-	2,333,126	2,236,534
Cultural and recreation	6,513,238	6,591,712	-	-	6,513,238	6,591,712
Miscellaneous	115,225	27,430	-	-	115,225	27,430
Interest on long-term debt	561,977	612,790	-	-	561,977	612,790
Water and sewer	-	-	19,063,720	19,134,948	19,063,720	19,134,948
<b>Total program expenses</b>	<b>89,469,704</b>	<b>87,465,690</b>	<b>19,063,720</b>	<b>19,134,948</b>	<b>108,533,424</b>	<b>106,600,638</b>
<b>Change in Net Assets</b>	<b>(24,705,617)</b>	<b>(23,482,956)</b>	<b>721,805</b>	<b>924,246</b>	<b>(23,983,812)</b>	<b>(22,558,710)</b>
<b>Net Assets - End of year</b>	<b>\$ 326,351,885</b>	<b>\$ 351,057,502</b>	<b>\$ 80,418,671</b>	<b>\$ 79,696,866</b>	<b>\$ 406,770,556</b>	<b>\$ 430,754,368</b>

### Governmental Activities

The City's total governmental revenues increased by approximately \$783,000, despite decreases in state-shared revenue. The increase, which represents approximately 1 percent, was primarily due to the increase in real property taxable value and millages. Millages increased for the police and fire retirement and drain debt by 1.2135 and .0958, respectively. The increase in revenue was also due to more diversified investing yielding higher investment income.

Expenses increased by approximately \$2 million during the year. Part of the increase was due to contractual raises as well as increasing health care costs.

# **City of Westland, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Business-type Activities**

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. The City also provides sewage treatment through Wayne County. Usage of the water system remained relatively consistent with usage in the prior year. Effective July 1, 2005, the City Council increased the water rate by 1.8 percent and the existing sewer rate remained the same to pass on the increase in costs from the City of Detroit and Wayne County. Effective July 1, 2006, the City Council increased water and sewer rates by 3.6 percent and 1.3 percent, respectively.

### **The City of Westland's Funds**

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The Westland City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as major and local road maintenance and debt service. The City's major funds for 2006 include the General Fund, the Major Road Fund, the Local Road Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$24.7 million in 2006. Other government services accounted for in the General Fund include general government (finance, city clerk, city assessor, economic development, community development, and the mayor's office), sanitation, and recreation. General Fund expenditures increased by approximately \$3.1 million. A primary reason for that increase is salaries and fringe benefits in police and fire. The City closely monitored its spending in all other areas, including capital outlay, conferences and seminars, and any nonessential services.

### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account events during the year. The most significant changes to the original budget were increases to the General Fund and Water and Sewer Fund fuel budgets for \$90,000 and \$45,000, respectively. Also, the General Fund was amended in the assessing department to pay for a personal property tax audit and the building department to purchase a new roof. City departments overall stayed below budget, with the exception of the district court, insurance and bonds, law, police, engineering, and operating transfers. Despite these exceptions, the City still maintained total expenditures of \$2,500,000 below budget.

Even with the decrease in state-shared revenues, the General Fund fund balance (reserved and unreserved) increased from \$5,794,557 to \$6,582,193.

As of June 30, 2006, the City had a total of approximately \$414.1 million invested in a broad range of capital assets, including roads, buildings, police and fire equipment, and water and sewer lines.

# **City of Westland, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

Due to budget constraints, capital expenditures were limited during the fiscal year but higher than the prior year. Examples of capital expenditures include phase 2 of the computer project, 10 patrol cars for the police department, a directional boring machine and a sewer jet for the water department, four pick-up trucks for the building department inspectors, a hot patch machine, a heavy duty salt truck, and three smaller 4x4 pick-up trucks with snow plows for the highway maintenance department. Also, many major and local road projects were completed, some with the help of federal grant money. Other needed major capital purchases have been defrayed to future years.

Debt service makes up approximately 12 percent of the total expenditures of the governmental funds. Bonded debt and other long-term obligations were reduced by approximately \$6.1 million. However, outstanding bonds actually increased due to the issuance of new debt in the current year as well as a refunding and defeasance of other debt.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 8, respectively, in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for the fiscal year ending June 30, 2007 takes into consideration another potential decrease in state-shared revenue and a cautious economic climate. Because of the impact of state legislation (Proposal A), an increase in property tax revenue as a result of increasing taxable value will be small. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions. As a result, the City will need to continue to watch the budget very closely.

As discussed above, the fiscal year ending June 30, 2007 budget anticipates that the water costs will increase. As a result, the water rates were raised 3.6 percent, effective July 1, 2006.

### **Contacting the City's Management**

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the finance department.

# City of Westland, Michigan

## Statement of Net Assets June 30, 2006

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 8,895,165	\$ 3,197,295	\$ 12,092,460	\$ 2,231,896
Investments (Note 3)	-	-	-	332,576
Receivables (Note 4)	7,452,522	7,487,797	14,940,319	334,625
Internal balances	1,417,523	(1,417,523)	-	-
Inventories	10,588	226,069	236,657	-
Prepaid costs and other assets	862,059	29,080	891,139	-
Restricted assets (Note 6)	-	792,065	792,065	999,733
Capital assets - Net (Note 5):				
Not being depreciated	2,340,379	-	2,340,379	90,000
Depreciable - Net	<u>333,138,642</u>	<u>78,616,944</u>	<u>411,755,586</u>	<u>1,586,578</u>
<b>Total assets</b>	<b>354,116,878</b>	<b>88,931,727</b>	<b>443,048,605</b>	<b>5,575,408</b>
<b>Liabilities</b>				
Accounts payable	2,198,389	1,753,157	3,951,546	60,378
Accrued and other liabilities	2,144,040	390,292	2,534,332	136,788
Deferred revenue (Note 4)	107,842	-	107,842	-
Deficit from joint ventures	565,027	-	565,027	-
Long-term debt (Note 8):				
Due within one year	2,640,811	939,607	3,580,418	480,000
Due in more than one year	<u>20,108,884</u>	<u>5,430,000</u>	<u>25,538,884</u>	<u>1,730,000</u>
<b>Total liabilities</b>	<b><u>27,764,993</u></b>	<b><u>8,513,056</u></b>	<b><u>36,278,049</u></b>	<b><u>2,407,166</u></b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	321,548,976	72,416,944	393,965,920	776,311
Restricted:				
Road improvements	2,919,266	-	2,919,266	-
Library operations	1,484,674	-	1,484,674	-
Other (Note 13)	5,460,064	792,065	6,252,129	-
Unrestricted	<u>(5,061,095)</u>	<u>7,209,662</u>	<u>2,148,567</u>	<u>2,391,931</u>
<b>Total net assets</b>	<b><u>\$ 326,351,885</u></b>	<b><u>\$ 80,418,671</u></b>	<b><u>\$ 406,770,556</u></b>	<b><u>\$ 3,168,242</u></b>

# City of Westland, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants and Contributions	Capital Grants and Contributions
		Services		
Primary government - Governmental activities:				
General government	\$ 12,737,487	\$ 7,222,367	\$ 97,244	\$ -
Public safety	30,595,885	8,020,957	78,091	5,240
Public works	36,612,766	1,115,725	4,830,067	564,011
Community and economic development	2,333,126	-	1,615,236	-
Cultural and recreation	6,513,238	2,001,050	110,872	-
Miscellaneous	115,225	-	-	-
Interest on long-term debt	561,977	-	-	-
Total primary government - Governmental activities	89,469,704	18,360,099	6,731,510	569,251
Business-type activities - Water and sewer	19,063,720	17,446,376	394,450	1,869,205
Total primary government	<u>\$ 108,533,424</u>	<u>\$ 35,806,475</u>	<u>\$ 7,125,960</u>	<u>\$ 2,438,456</u>
Component units	<u>\$ 1,792,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
Property taxes  
State-shared revenues  
Refund of captured property taxes  
Interest and sundry  
Transfers

Total general revenues and transfers

## Change in Net Assets

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Statement of Activities**  
**Year Ended June 30, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,417,876)	\$ -	\$ (5,417,876)	\$ -
(22,491,597)	-	(22,491,597)	-
(30,102,963)	-	(30,102,963)	-
(717,890)	-	(717,890)	-
(4,401,316)	-	(4,401,316)	-
(115,225)	-	(115,225)	-
(561,977)	-	(561,977)	-
(63,808,844)	-	(63,808,844)	-
-	646,311	646,311	-
(63,808,844)	646,311	(63,162,533)	-
-	-	-	(1,792,144)
26,696,601	-	26,696,601	5,748,448
8,755,927	-	8,755,927	-
2,494,975	-	2,494,975	(3,759,461)
1,083,209	148,009	1,231,218	120,163
72,515	(72,515)	-	-
39,103,227	75,494	39,178,721	2,109,150
(24,705,617)	721,805	(23,983,812)	317,006
351,057,502	79,696,866	430,754,368	2,851,236
<b>\$ 326,351,885</b>	<b>\$ 80,418,671</b>	<b>\$ 406,770,556</b>	<b>\$ 3,168,242</b>

# City of Westland, Michigan

## Governmental Funds Balance Sheet June 30, 2006

	Major Funds			Other Nonmajor	Total
	General Fund	Major Roads Fund	Local Roads Fund	Governmental Funds	Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 2,062,135	\$ 2,787,058	\$ 338,061	\$ 3,531,136	\$ 8,718,390
Receivables - Net (Note 4)	1,915,821	1,648	76,999	675,170	2,669,638
Prepaid costs and other assets	832,273	29,785	-	-	862,058
Due from other funds (Note 7)	2,094,329	-	2,491	233,862	2,330,682
Due from other governmental units	3,451,208	650,018	205,055	476,603	4,782,884
Total assets	<b>\$ 10,355,766</b>	<b>\$ 3,468,509</b>	<b>\$ 622,606</b>	<b>\$ 4,916,771</b>	<b>\$ 19,363,652</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,316,033	\$ 31,510	\$ 268,131	\$ 427,702	\$ 2,043,376
Accrued and other liabilities	690,625	-	-	109,587	800,212
Due to other funds	1,143,013	588,315	214,081	352,891	2,298,300
Deferred revenue (Note 4)	623,902	-	69,812	147,842	841,556
Total liabilities	3,773,573	619,825	552,024	1,038,022	5,983,444
<b>Fund Balances</b>					
Reserved for:					
Retirement system	2,250,000	-	-	-	2,250,000
Sanitation	1,146,000	-	-	-	1,146,000
Other purposes	832,273	-	-	114,637	946,910
Unreserved	2,353,920	2,848,684	70,582	-	5,273,186
Unreserved - Reported in nonmajor:					
Special Revenue Funds	-	-	-	3,328,190	3,328,190
Debt Service Funds	-	-	-	117,240	117,240
Capital Project Funds - Designated	-	-	-	318,682	318,682
Total fund balances	6,582,193	2,848,684	70,582	3,878,749	13,380,208
Total liabilities and fund balances	<b>\$ 10,355,766</b>	<b>\$ 3,468,509</b>	<b>\$ 622,606</b>	<b>\$ 4,916,771</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	331,029,684
Deferred revenue is reported in the governmental funds, but not in the government-wide statements	733,714
Accrued interest on long-term liabilities is not reported in the funds	(145,360)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(20,995,767)
Accumulated deficits from joint ventures are included as part of governmental activities	(565,027)
Internal Service Funds are included as governmental activities	2,914,433
Net assets of governmental activities	<b>\$ 326,351,885</b>



# City of Westland, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	Major Funds			Other Nonmajor	Total
	General	Major Road	Local Road Fund	Governmental	Governmental
	Fund	Fund		Funds	Funds
<b>Revenues</b>					
Property taxes	\$ 23,946,259	\$ -	\$ -	\$ 2,567,103	\$ 26,513,362
Licenses and permits	1,318,040	-	-	-	1,318,040
Federal sources	42,673	-	-	1,615,236	1,657,909
State sources	8,979,101	3,455,052	1,241,850	62,555	13,738,558
Local sources	506,256	524,312	-	1,278,042	2,308,610
Charges for services	7,573,187	79,521	-	968,001	8,620,709
Court fines and fees	4,289,511	-	-	-	4,289,511
Special assessments	-	-	39,699	898,364	938,063
Refund of captured property taxes	2,243,274	-	-	251,701	2,494,975
Interest and other	2,673,928	52,135	5,772	202,634	2,934,469
<b>Total revenues</b>	<b>51,572,229</b>	<b>4,111,020</b>	<b>1,287,321</b>	<b>7,843,636</b>	<b>64,814,206</b>
<b>Expenditures</b>					
General government	11,177,455	-	-	-	11,177,455
Public safety	31,004,204	-	-	42,404	31,046,608
Highways, streets, and drains	-	2,834,786	2,629,569	18,100	5,482,455
Street lighting	-	-	-	1,132,168	1,132,168
Sanitation	4,564,030	-	-	-	4,564,030
Cultural and recreation	3,253,872	-	-	4,869,556	8,123,428
Contracted services	-	-	-	232,899	232,899
Debt service	-	-	-	3,985,405	3,985,405
Sundry	1,220,313	-	-	60,891	1,281,204
<b>Total expenditures</b>	<b>51,219,874</b>	<b>2,834,786</b>	<b>2,629,569</b>	<b>10,341,423</b>	<b>67,025,652</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>352,355</b>	<b>1,276,234</b>	<b>(1,342,248)</b>	<b>(2,497,787)</b>	<b>(2,211,446)</b>
<b>Other Financing Sources (Uses)</b>					
Payment to refunding agent	-	-	-	(1,895,000)	(1,895,000)
Proceeds from issuance of long-term debt	-	-	-	3,970,000	3,970,000
Operating transfers in (Note 7)	867,013	-	863,763	1,535,060	3,265,836
Operating transfers out (Note 7)	(431,732)	(1,577,451)	-	(1,184,138)	(3,193,321)
<b>Total other financing sources (uses)</b>	<b>435,281</b>	<b>(1,577,451)</b>	<b>863,763</b>	<b>2,425,922</b>	<b>2,147,515</b>
<b>Net Change in Fund Balances</b>	<b>787,636</b>	<b>(301,217)</b>	<b>(478,485)</b>	<b>(71,865)</b>	<b>(63,931)</b>
<b>Fund Balances - July 1, 2005</b>	<b>5,794,557</b>	<b>3,149,901</b>	<b>549,067</b>	<b>3,950,614</b>	<b>13,444,139</b>
<b>Fund Balances - June 30, 2006</b>	<b>\$ 6,582,193</b>	<b>\$ 2,848,684</b>	<b>\$ 70,582</b>	<b>\$ 3,878,749</b>	<b>\$ 13,380,208</b>

# City of Westland, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (63,931)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(27,199,174)
Delinquent personal property tax revenues are recorded in the statement of activities when the taxes are assessed; they are not reported in the funds until collected or collectible within 60 days of year end	183,239
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(29,417)
Proceeds from the issuance of long-term debt is a revenue in the governmental funds, but not in the statement of activities	(3,970,000)
Repayment of debt principal is an expenditure in the governmental funds, but not in the government-wide statements (where it reduces long-term debt)	5,788,771
Change in accrued interest on long-term debt is not recorded in the governmental funds	18,291
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(1,107,750)
Changes in joint venture deficits are not recorded in the governmental funds, but are recorded in the statement of activities	1,112,301
Internal Service Funds are also included as governmental activities	<u>562,053</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (24,705,617)</u></b>

# City of Westland, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2006

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,197,295	\$ 176,775
Receivables - Net	7,295,397	372
Due from other funds (Note 7)	-	1,385,141
Due from other governmental units	192,400	-
Inventories	226,069	10,588
Prepaid costs and other assets	29,080	-
Total current assets	10,940,241	1,572,876
Noncurrent assets:		
Restricted assets	792,065	-
Capital assets	78,616,944	4,449,337
Total noncurrent assets	79,409,009	4,449,337
Total assets	90,349,250	6,022,213
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,753,157	155,385
Accrued and other liabilities	242,543	1,198,467
Due to other funds	1,417,523	-
Escrow deposits	147,749	-
Current portion of long-term debt	939,607	540,154
Total current liabilities	4,500,579	1,894,006
Long-term debt - Net of current portion	5,430,000	1,213,774
Total liabilities	9,930,579	3,107,780
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	72,416,944	2,695,409
Restricted	792,065	-
Unrestricted	7,209,662	219,024
Total net assets	<u>\$ 80,418,671</u>	<u>\$ 2,914,433</u>

# City of Westland, Michigan

## Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2006

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Operating Revenues</b>		
Water and sewer	\$ 15,285,755	\$ -
Charges for services	948,934	5,063,469
Penalties	721,194	-
Federal sources	376,155	-
State sources	18,295	-
Rent	36,600	-
Other	453,893	-
Total operating revenues	17,840,826	5,063,469
<b>Operating Expenses</b>		
Cost of water	3,867,095	-
Cost of sewage disposal	5,429,682	-
Wages and fringe benefits	2,970,262	538,705
Contracted services	3,201,876	10,800
Operating supplies	362,967	461,198
Repairs and maintenance	14,651	362,321
Insurance, claims, and other	-	2,103,731
Depreciation	1,720,884	1,006,754
Sundry	131,202	-
Rentals	1,129,455	13,700
Total operating expenses	18,828,074	4,497,209
<b>Operating Income (Loss)</b>	(987,248)	566,260
<b>Nonoperating Revenue (Expenses)</b>		
Investment income	148,009	2,052
Interest expense	(235,646)	(28,764)
Gain on disposal of assets	-	22,505
Total nonoperating expenses	(87,637)	(4,207)
<b>Income (Loss) - Before other financing uses and capital contributions</b>	(1,074,885)	562,053
<b>Other Financing Uses - Operating transfers out (Note 7)</b>	(72,515)	-
<b>Capital Contributions</b>	1,869,205	-
<b>Change in Net Assets</b>	721,805	562,053
<b>Net Assets - July 1, 2005</b>	79,696,866	2,352,380
<b>Net Assets - June 30, 2006</b>	<b>\$ 80,418,671</b>	<b>\$ 2,914,433</b>

# City of Westland, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2006

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 17,721,925	\$ -	\$ 17,721,925
Payments to suppliers	(14,947,701)	(910,441)	(15,858,142)
Payments to employees	(3,044,653)	(550,199)	(3,594,852)
Internal activity - Payments from other funds	-	4,841,146	4,841,146
Claims paid	-	(1,947,331)	(1,947,331)
Other receipts	1,172,826	-	1,172,826
Net cash provided by operating activities	902,397	1,433,175	2,335,572
<b>Cash Flows from Noncapital Financing Activities -</b>			
Receipt of amounts owed from other funds	35,662	-	35,662
<b>Cash Flows from Capital and Related Financing Activities</b>			
Collection of customer assessments and fees	621,173	-	621,173
Operating transfers to other funds	(72,515)	-	(72,515)
Proceeds from issuance of long-term debt	2,000,000	-	2,000,000
Principal and interest paid on long-term debt	(992,663)	(384,833)	(1,377,496)
Purchase of capital assets	(3,147,947)	(1,011,166)	(4,159,113)
Proceeds from sale of assets	-	22,505	22,505
Net cash used in capital and related financing activities	(1,591,952)	(1,373,494)	(2,965,446)
<b>Cash Flows from Investing Activities - Interest received on investments and other assets</b>	142,898	2,052	144,950
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(510,995)	61,733	(449,262)
<b>Cash and Cash Equivalents - July 1, 2005</b>	4,483,290	115,042	4,598,332
<b>Cash and Cash Equivalents - June 30, 2006</b>	<u><u>\$ 3,972,295</u></u>	<u><u>\$ 176,775</u></u>	<u><u>\$ 4,149,070</u></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and cash equivalents	\$ 3,197,295	\$ 176,775	\$ 3,374,070
Restricted assets (Note 6)	775,000	-	775,000
<b>Total</b>	<u><u>\$ 3,972,295</u></u>	<u><u>\$ 176,775</u></u>	<u><u>\$ 4,149,070</u></u>

# City of Westland, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2006

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ (987,248)	\$ 566,260	\$ (420,988)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	1,720,884	1,006,754	2,727,638
Changes in assets and liabilities:			
Receivables	312,149	-	312,149
Due from other governmental units	(192,400)	-	(192,400)
Due from other funds	-	(172,340)	(172,340)
Inventory	105,462	-	105,462
Other assets	(29,080)	3,823	(25,257)
Accounts payable	(805,470)	(65,560)	(871,030)
Accrued and other liabilities	(192,676)	143,849	(48,827)
Due to other funds	970,776	(49,611)	921,165
Net cash provided by operating activities	<u><u>\$ 902,397</u></u>	<u><u>\$ 1,433,175</u></u>	<u><u>\$ 2,335,572</u></u>

**Noncash Activities** - Capital assets of \$1,248,032 were acquired through contributions from developers.

# City of Westland, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2006

	Pension Trust Fund - Police and Fire Retirement	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ -	\$ 3,703,581
Investments (Note 3):		
U.S. government securities	6,727,579	-
Corporate bonds	7,579,770	-
Common stock	80,562,838	-
Real estate investment trust	922,490	-
Mutual funds	39,907,524	-
Accrued interest and other assets	744,134	1,927
<b>Total assets</b>	<b>136,444,335</b>	<b>3,705,508</b>
<b>Liabilities</b>		
Accounts payable	-	232,731
Accrued and other liabilities	-	2,488,855
Due to other governmental units	-	983,922
<b>Total liabilities</b>	<b>-</b>	<b>3,705,508</b>
<b>Net Assets - Held in trust for pension benefits and other purposes</b>	<b>\$ 136,444,335</b>	<b>\$ -</b>

# City of Westland, Michigan

## Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended June 30, 2006

	Pension Trust Fund - Police and Fire Retirement
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 2,273,514
Net increase in fair value of investments	13,746,211
Investment-related expenses	<u>(135,917)</u>
Total investment income	15,883,808
Employer contributions:	
Pension	4,069,216
Medical insurance	<u>2,034,317</u>
Total contributions	6,103,533
Litigation settlement proceeds	400,815
<b>Deductions</b>	
Benefit payments	6,349,801
Medical premiums	<u>2,034,317</u>
Total deductions	<u>8,384,118</u>
<b>Net Increase</b>	14,004,038
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	<u>122,440,297</u>
End of year	<u><u>\$ 136,444,335</u></u>



# City of Westland, Michigan

## Component Units Statement of Net Assets June 30, 2006

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authority	Total
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 911,747	\$ 4,838	\$ 775,568	\$ 539,743	\$ 2,231,896
Investments (Note 3)	-	-	-	332,576	332,576
Accrued interest receivable	-	-	-	334,625	334,625
Restricted assets	999,733	-	-	-	999,733
Capital assets (Note 5)	<u>1,676,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,676,578</u>
Total assets	3,588,058	4,838	775,568	1,206,944	5,575,408
<b>Liabilities</b>					
Accounts payable	50,092	-	1,521	8,765	60,378
Accrued interest	13,406	-	-	-	13,406
Due to City of Westland	-	-	79,521	43,861	123,382
Long-term debt (Note 8):					
Due within one year	400,000	-	80,000	-	480,000
Due in more than one year	<u>1,500,000</u>	<u>-</u>	<u>230,000</u>	<u>-</u>	<u>1,730,000</u>
Total liabilities	<u>1,963,498</u>	<u>-</u>	<u>391,042</u>	<u>52,626</u>	<u>2,407,166</u>
<b>Net Assets</b>					
Investment in capital assets - Net of related debt	776,311	-	-	-	776,311
Unrestricted	<u>848,249</u>	<u>4,838</u>	<u>384,526</u>	<u>1,154,318</u>	<u>2,391,931</u>
Total net assets	<u>\$ 1,624,560</u>	<u>\$ 4,838</u>	<u>\$ 384,526</u>	<u>\$ 1,154,318</u>	<u>\$ 3,168,242</u>

# City of Westland, Michigan

	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority
<b>Governmental Activities</b>				
Downtown Development Authority - Operations	\$ 1,234,258	\$ -	\$ -	\$ (1,234,258)
Economic Development Corporation - Operations	-	-	-	-
Local Development Finance Authority - Operations	163,332	-	-	-
Tax Increment Finance Authority - Operations	394,554	-	-	-
Total governmental activities	<u><b>\$ 1,792,144</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>(1,234,258)</b></u>
General revenues:				
Property taxes				1,167,230
Property tax refunds				-
Interest and sundry				<u>68,398</u>
Total general revenues				<u>1,235,628</u>
<b>Change in Net Assets</b>				1,370
<b>Net Assets - July 1, 2005</b>				<u>1,623,190</u>
<b>Net Assets - June 30, 2006</b>				<u><b>\$ 1,624,560</b></u>

**Component Units  
Statement of Activities  
Year Ended June 30, 2006**

<u>Net (Expense) Revenue and Changes in Net Assets (Deficit)</u>			
	Local		
Economic	Development	Tax Increment	
Development	Finance	Finance	
Corporation	Authority	Authority	Total
<hr/>			
\$ -	\$ -	\$ -	\$ (1,234,258)
-	-	-	-
-	(163,332)	-	(163,332)
-	-	(394,554)	(394,554)
<hr/>			
-	(163,332)	(394,554)	(1,792,144)
-	259,999	4,321,219	5,748,448
-	-	(3,759,461)	(3,759,461)
-	27,179	24,586	120,163
<hr/>			
-	287,178	586,344	2,109,150
-	123,846	191,790	317,006
4,838	260,680	962,528	2,851,236
<hr/>			
<b>\$ 4,838</b>	<b>\$ 384,526</b>	<b>\$ 1,154,318</b>	<b>\$ 3,168,242</b>

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Westland, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The City is governed by an elected mayor and an elected seven-member council. The accompanying financial statements present the City of Westland, Michigan and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government, and separate financial statements are not issued.

The City of Westland Building Authority is governed by a five-member board that is appointed by the mayor and approved by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The activity of the City of Westland Building Authority is reported within the Building Authority Debt - Tower and Building Authority Debt - Court Expansion Debt Service Funds.

#### **Discretely Presented Component Units**

- a. The Local Development Finance Authority and the Tax Increment Finance Authority were created to promote economic growth and business development within the community. The Local Development Finance Authority governing body consists of 11 individuals. The mayor appoints seven of these individuals, and the other four individuals are made up of one member appointed by the County Board of Commissioners, one representative of the local community college, and two members appointed by the local school district. The Tax Increment Finance Authority's governing bodies each consist of the same nine individuals. These individuals are all appointed by the mayor and confirmed by the City Council. In addition, each Authority's budget is subject to approval by the City Council.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents of the City. The Corporation's governing body consists of nine individuals who are appointed by the mayor and confirmed by the City Council.

### **Note I - Summary of Significant Accounting Policies (Continued)**

- c. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.
- d. The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City and to promote economic growth for these properties through the use of a state-approved revolving loan fund. The properties included are listed as contaminated by the Environmental Protection Agency. The Authority's governing body, which consists of nine individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, special assessments, state-shared revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Sales taxes collected and held by the State at year end on behalf of the City also are recognized as revenue. All other revenue items, such as fines and permits, are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Major Roads Fund** - The Major Roads Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on major roads.

**Local Roads Fund** - The Local Roads Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on local roads.

The City reports the following major proprietary fund:

**Enterprise Fund - Water and Sewer** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the government reports the following fund types:

**Internal Service Funds** - The Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

**Fiduciary Funds** - The Police and Fire Retirement Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees. The Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts had been recorded as the City believes all receivables will be collected.

**Property Taxes** - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are due on August 15, with the final collection date of February 28 before they are added to the delinquent county tax rolls.

The 2005 taxable valuation of the City totaled approximately \$2.13 billion, on which ad valorem taxes levied consisted of 6.4841 mills for the City's operating purposes, .9478 mills for operation of the library, 3.3500 mills for the Police and Fire Pension Fund, 2.1500 mills for sanitation, and .3980 mills for water and sewer debt service. The ad valorem taxes levied raised approximately \$13.8 million for City operations, approximately \$2 million for operation of the library, approximately \$7.1 million for the Police and Fire Pension Fund, approximately \$4.6 million for sanitation, and approximately \$0.8 million for water and sewer debt service. Portions of the amounts levied have been captured by the tax increment financing authorities reported in the component units. These amounts, net of the amounts reported by the component units, are recognized in the respective General Fund, Special Revenue Fund, and Debt Service Fund financial statements as taxes receivable or as tax revenue.

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.



### Note 1 - Summary of Significant Accounting Policies (Continued)

**Restricted Assets** - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the City's water and sewer lines.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives:

Roads and sidewalks	20-30 years
Buildings and improvements	20-40 years
Water and sewer distribution system	100 years
Tools and equipment	2-40 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policy, employees earn sick and vacation time based on time of service with the City. All vacation and sick pay is accrued when incurred in the government-wide financial statements. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. The face amount of debt issued is reported as other financing sources in the governmental fund-based statements.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, except that reimbursements to the General Fund from other funds have been included in revenue, rather than as a reduction of expenditures, transfers are included as revenue and expenditures, and proceeds of long-term debt are included as revenue.

The annual budget is prepared by the City management and submitted to the City Council by April 1 of each year. The budget is adopted by the City Council at the first Council meeting in June. Subsequent amendments are approved by the City Council. Amendments may be made by the City Council up until the last day of the fiscal year. The General Fund budget, including the District Court, has been adopted on a departmental basis. The other funds' budgets have been adopted on an aggregate basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

Following is a reconciliation of the General Fund's budget statement to the operating statement:

	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 51,572,229	\$ 51,219,874
Other financing sources per operating statement	867,013	-
Other financing uses per operating statement	-	431,732
Reimbursements from other funds recorded as revenue	<u>3,211,738</u>	<u>3,211,738</u>
Amounts per budget statement	<u>\$ 55,650,980</u>	<u>\$ 54,863,344</u>

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund and Major Special Revenue Funds is presented as required supplemental information. Information comparing other Special Revenue Fund activity to the respective budgets can be obtained at City Hall.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund:		
General - Law	\$ 605,000	\$ 689,798
Engineering	628,232	699,105
Police	14,359,352	14,494,955
District Court	3,274,287	3,315,788
Operating transfers out	343,876	431,732

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

### **Note 3 - Deposits and Investments (Continued)**

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$9,137,707 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the component units had \$3,361,801 of bank deposits that were uninsured and uncollateralized.

#### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities (pension)	\$ 1,065,073	18.85
U.S. agency securities (pension)	5,521,417	23.94
Corporate securities (pension)	7,963,238	14.55

At year end, the average maturity of the investment for the City's component units is as follows:

Investment	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 667,191	5.89

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 3 - Deposits and Investments (Continued)

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Comerica J Fund	\$ 4,868,180	AI, PI	S&P, Moody's
Corporate securities (pension)	157,764	A	S&P
Corporate securities (pension)	176,227	A+	S&P
Corporate securities (pension)	248,241	A-	S&P
Corporate securities (pension)	73,663	AA-	S&P
Corporate securities (pension)	2,288,084	AAA	S&P
Corporate securities (pension)	366,716	B	S&P
Corporate securities (pension)	386,780	B+	S&P
Corporate securities (pension)	118,913	B-	S&P
Corporate securities (pension)	467,803	BB	S&P
Corporate securities (pension)	233,515	BB+	S&P
Corporate securities (pension)	162,113	BB-	S&P
Corporate securities (pension)	678,689	BBB	S&P
Corporate securities (pension)	299,664	BBB+	S&P
Corporate securities (pension)	1,268,666	BBB-	S&P
Corporate securities (pension)	465,260	CCC+	S&P
Corporate securities (pension)	571,140	NR	N/A

#### Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. No more than 5 percent of the City's investments are invested in any one issuer.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 4 - Receivables

The City's receivables of governmental activities are as follows:

	General Fund	Major Roads Funds	Local Roads Funds	Nonmajor and Other Funds	Total Governmental Activities	Business-type Activities	Total Primary Government	Component Units
Receivables:								
Taxes	\$ 1,795,347	\$ -	\$ 6,981	\$ 301,920	\$ 2,104,248	\$ 539,518	\$ 2,643,766	\$ -
Intergovernmental	3,451,208	650,018	205,055	476,603	4,782,884	192,400	4,975,284	-
Special assessments	36,447	-	69,812	-	106,259	-	106,259	-
Customer	-	-	-	-	-	6,743,362	6,743,362	-
Interest and other	84,027	1,648	206	373,250	459,131	12,517	471,648	334,625
Total receivables	<u>\$ 5,367,029</u>	<u>\$ 651,666</u>	<u>\$ 282,054</u>	<u>\$ 1,151,773</u>	<u>\$ 7,452,522</u>	<u>\$ 7,487,797</u>	<u>\$ 14,940,319</u>	<u>\$ 334,625</u>

The delinquent real property taxes of the City are purchased by the County of Wayne. Subsequent to year end, the County issued tax notes, the proceeds of which were used to pay the City for these property taxes. These taxes have been recorded as revenue for the current year.

The City considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Revenue Not Available	Revenue Not Earned	Total
General Fund - Personal property tax	\$ 623,902	\$ -	\$ 623,902
Local Roads Fund - Personal property tax	69,812	-	69,812
Other nonmajor governmental funds - Personal property tax	40,000	-	40,000
Other nonmajor governmental funds - Federal grant revenue	-	107,842	107,842
Total	<u>\$ 733,714</u>	<u>\$ 107,842</u>	<u>\$ 841,556</u>

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006	Depreciable Life - Years
<b>Governmental Activities</b>					
Capital assets not being depreciated - Land	\$ 2,340,379	\$ -	\$ -	\$ 2,340,379	-
Capital assets being depreciated:					
Roads and sidewalks	754,360,076	1,974,766	838,902	755,495,940	20-30
Buildings and improvements	17,390,811	418,770	-	17,809,581	20-40
Other tools and equipment	21,620,481	2,750,895	938,759	23,432,617	3-40
Subtotal	793,371,368	5,144,431	1,777,661	796,738,138	
Accumulated depreciation:					
Roads and sidewalks	418,060,033	28,646,288	838,902	445,867,419	
Buildings and improvements	3,216,117	344,776	-	3,560,893	
Other tools and equipment	13,006,023	2,103,920	938,759	14,171,184	
Subtotal	434,282,173	31,094,984	1,777,661	463,599,496	
Net capital assets being depreciated	359,089,195	(25,950,553)	-	333,138,642	
Net capital assets	\$ 361,429,574	\$ (25,950,553)	\$ -	\$ 335,479,021	
<b>Business-type Activities</b>					
Capital assets being depreciated - Water and sewer distribution systems	\$ 99,593,525	\$ 4,395,979	\$ -	\$ 103,989,504	100
Accumulated depreciation - Water and sewer distribution systems	23,651,676	1,720,884	-	25,372,560	
Net capital assets	\$ 75,941,849	\$ 2,675,095	\$ -	\$ 78,616,944	
<b>Component Units</b>					
Capital assets not being depreciated - Land	\$ 90,000	\$ -	\$ -	\$ 90,000	-
Capital assets being depreciated - DDA Streetscape	1,639,531	30,551	-	1,670,082	20
Accumulated depreciation - DDA Streetscape	-	83,504	-	83,504	
Net capital assets being depreciated	1,639,531	(52,953)	-	1,586,578	
Net capital assets	\$ 1,729,531	\$ (52,953)	\$ -	\$ 1,676,578	



# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 890,353
Public safety	398,345
Public works	28,673,288
Recreation and culture	126,239
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>1,006,759</u>

Total governmental activities \$ 31,094,984

Business-type activities - Enterprise Fund - Water and Sewer \$ 1,720,884

### Note 6 - Restricted Assets

Restricted assets at June 30, 2006 consist of the following:

Investments	\$ 775,000
Assets held at Wayne County for water and sewer line construction	<u>17,065</u>
Total restricted assets	<u>\$ 792,065</u>

These assets are restricted for the following purposes:

Construction of North Huron Valley/Rouge Valley Sewer System	\$ 17,065
Bond reserve for 1998 Water and Sewer Revenue Bonds	397,500
Bond reserve for 2003 Water and Sewer Revenue Bonds	<u>377,500</u>
Total restricted assets	<u>\$ 792,065</u>

Restricted assets in the Downtown Development Authority consist of unspent bond proceeds totaling \$999,733.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 7 - Interfund Balances and Operating Transfers

The composition of interfund receivables and payables balances is as follows:

General Fund:	
Major Roads Fund	\$ 585,824
Local Roads Fund	214,081
Water and Sewer Fund	953,881
Other nonmajor governmental funds	<u>340,543</u>
Total General Fund	2,094,329
Local Roads Fund - Major Roads Fund	2,491
Other nonmajor governmental funds:	
General Fund	158,679
Water and Sewer Fund	63,000
Other nonmajor governmental funds	<u>12,183</u>
Total other nonmajor governmental funds	<u>233,862</u>
Total governmental funds	2,330,682
Other proprietary funds:	
General Fund	984,499
Water and Sewer Fund	<u>400,642</u>
Total other proprietary funds	<u>1,385,141</u>
Total	<u><u>\$ 3,715,823</u></u>

Interfund balances represent routine and temporary cash flow assistance resulting from normal interfund activity until the amounts can be reimbursed between the funds.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 7 - Interfund Balances and Operating Transfers (Continued)

The composition of operating transfers is as follows:

Operating Transfer Out	Operating Transfer In	Amount
General Fund	Other governmental funds (1)	\$ 431,732
Major Roads Fund	Local Roads Fund (2)	863,763
	Other governmental funds (1)	<u>713,688</u>
	Total Major Roads Fund	1,577,451
Other governmental funds	General Fund (2)	857,498
	Other governmental funds (2)	<u>326,640</u>
	Total other governmental funds	1,184,138
Water and Sewer Fund	Other governmental funds (3)	63,000
	General Fund	<u>9,515</u>
	Total Water and Sewer Fund	<u>72,515</u>
	Total operating transfers	<u><u>\$ 3,265,836</u></u>

(1) Transfer for debt service

(2) Transfer for general operations

(3) Transfer for capital improvements

### Note 8 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	July 1, 2005	Additions	Reductions	June 30, 2006	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 1,600,000	\$ -	\$ (200,000)	\$ 1,400,000	\$ 200,000
1998 Michigan Transportation Fund Bonds	2,300,000	-	(150,000)	2,150,000	150,000
1998 Building Authority Bonds	2,150,000	-	(2,150,000)	-	-
1999 Building Authority Bonds	2,300,000	-	(2,300,000)	-	-
2005 Building Authority Refunding Bonds	-	3,970,000	-	3,970,000	20,000
County drain contracts	2,082,042	-	(694,015)	1,388,027	694,015
2004 Michigan Transportation Fund Bonds	3,000,000	-	(100,000)	2,900,000	100,000
HUD Section 108 loans	440,000	-	(100,000)	340,000	100,000
Compensated absences	7,711,900	1,107,750	-	8,819,650	786,630
Installment purchase agreements:					
Police communications equipment	208,637	-	(47,724)	160,913	50,012
Other equipment	779,979	1,244,209	(403,083)	1,621,105	540,154
Total governmental activities	<u>\$ 22,572,558</u>	<u>\$ 6,321,959</u>	<u>\$ (6,144,822)</u>	<u>\$ 22,749,695</u>	<u>\$ 2,640,811</u>
<b>Business-type Activities</b>					
Revenue bonds:					
1998 Water and Sewer Revenue Bonds	\$ 2,725,000	\$ -	\$ (200,000)	\$ 2,525,000	\$ 200,000
2003 Water and Sewer Revenue Bonds	2,185,000	-	(510,000)	1,675,000	495,000
2006 Water and Sewer Revenue Bonds	-	2,000,000	-	2,000,000	75,000
Compensated absences	169,607	-	-	169,607	169,607
Installment purchase agreements - Other equipment	47,016	-	(47,016)	-	-
Total business-type activities	<u>\$ 5,126,623</u>	<u>\$ 2,000,000</u>	<u>\$ (757,016)</u>	<u>\$ 6,369,607</u>	<u>\$ 939,607</u>

Note: The change in compensated absences is the net change to the liability during the year ended June 30, 2006.

#### Component Units

General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 395,000	\$ -	\$ (85,000)	\$ 310,000	\$ 80,000
2003 Downtown Development Authority Bonds	2,200,000	-	(300,000)	1,900,000	400,000
Total component units	<u>\$ 2,595,000</u>	<u>\$ -</u>	<u>\$ (385,000)</u>	<u>\$ 2,210,000</u>	<u>\$ 480,000</u>

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 8 - Long-term Debt (Continued)

Other information concerning long-term debt obligations is as follows:

	Original Principal	Outstanding Debt June 30, 2006	Final Payment Date	Maturity Payment Ranges	Interest Rates
<b>Governmental Activities</b>					
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 2,500,000	\$ 1,400,000	12/01/2011	\$200,000-\$250,000	4.000%-5.400%
1998 Michigan Transportation Fund Bonds	2,900,000	2,150,000	12/01/2013	\$150,000-\$400,000	4.250%-4.500%
2005 Building Authority Bonds	3,970,000	3,970,000	11/1/2019	\$20,000-\$500,000	3.000%-5.000%
County drain contracts	8,789,204	1,388,027	05/01/2008	\$4,957-\$694,015	5.200%-5.700%
2004 Michigan Transportation Fund Bonds	3,000,000	2,900,000	12/01/2018	\$100,000-\$300,000	2.500%-4.000%
Other debt	2,826,374	2,122,018	08/01/2009	\$13,012-\$99,209	5.385%-6.490%
Total governmental activities	<u>\$ 23,985,578</u>	<u>\$ 13,930,045</u>			
<b>Business-type Activities</b>					
Revenue bonds:					
1998 Water and Sewer Revenue Bonds	\$ 3,225,000	\$ 2,525,000	04/01/2018	\$200,000-\$250,000	4.400%-4.500%
2003 Water and Sewer Revenue Bonds	3,025,000	1,675,000	04/01/2009	\$495,000-\$605,000	2.500%-3.000%
2006 Water and Sewer Revenue Bonds	2,000,000	2,000,000	4/1/2015	\$75,000-\$300,000	3.875%-3.900%
Total business-type activities	<u>\$ 8,250,000</u>	<u>\$ 6,200,000</u>			
<b>Component Units</b>					
General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 525,000	\$ 310,000	06/01/2010	\$65,000-\$85,000	1.800%-3.800%
2003 Downtown Development Authority Bonds	2,420,000	1,900,000	10/01/2009	\$220,000-\$550,000	2.000%-2.875%
Total component units	<u>\$ 2,945,000</u>	<u>\$ 2,210,000</u>			

Annual debt service requirements to maturity for the City's long-term obligations, except compensated absences, are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 1,854,182	\$ 420,906	\$ 2,275,088	\$ 770,000	\$ 237,207	\$ 1,007,207	\$ 480,000	\$ 53,704	\$ 533,704
2008	1,967,317	499,094	2,466,411	850,000	212,506	1,062,506	530,000	42,200	572,200
2009	962,472	407,523	1,369,995	880,000	185,275	1,065,275	575,000	27,813	602,813
2010	1,122,035	359,672	1,481,707	300,000	155,419	455,419	625,000	10,756	635,756
2011	1,089,039	311,521	1,400,560	475,000	142,744	617,744	-	-	-
2012	1,055,000	265,726	1,320,726	475,000	123,088	598,088	-	-	-
2013	960,000	223,313	1,183,313	475,000	103,431	578,431	-	-	-
2014	955,000	187,876	1,142,876	475,000	83,775	558,775	-	-	-
2015	630,000	147,626	777,626	475,000	64,050	539,050	-	-	-
2016	680,000	119,226	799,226	525,000	32,625	557,625	-	-	-
2017	705,000	90,788	795,788	250,000	22,500	272,500	-	-	-
2018	705,000	63,525	768,525	250,000	11,250	261,250	-	-	-
2019	745,000	34,900	779,900	-	-	-	-	-	-
2020	500,000	10,000	510,000	-	-	-	-	-	-
Total	<u>\$ 13,930,045</u>	<u>\$ 3,141,696</u>	<u>\$ 17,071,741</u>	<u>\$ 6,200,000</u>	<u>\$ 1,373,870</u>	<u>\$ 7,573,870</u>	<u>\$ 2,210,000</u>	<u>\$ 134,473</u>	<u>\$ 2,344,473</u>

### **Note 8 - Long-term Debt (Continued)**

Total interest incurred related to governmental and business-type activities for the year approximated \$580,000 and \$181,000, respectively. Total interest incurred related to component units for the year approximated \$63,000.

During the year, the City issued \$3,970,000 in water and sewer bonds with interest rates ranging from 3.0 percent to 5.0 percent. The proceeds of these bonds were used to advance refund \$2,150,000 and to defease \$1,895,000 of outstanding general obligation bonds with interest rates ranging from 4.5 percent to 5.75 percent. This transaction reduced total debt service payments over the next 13 years by approximately \$82,000, which represents an economic gain of approximately \$101,000.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2006, \$4,025,000 of bonds outstanding are considered defeased.

### **Note 9 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions; the City is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 9 - Risk Management (Continued)

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the General Liability Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Estimated liability - Beginning of year	\$ 622,599	\$ 401,519
Estimated claims incurred, including changes in estimates	1,661,706	1,932,774
Claim payments	<u>(1,561,706)</u>	<u>(1,711,694)</u>
Estimated liability - End of year	<u>\$ 722,599</u>	<u>\$ 622,599</u>

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Workers' Compensation Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Estimated liability - Beginning of year	\$ 394,102	\$ 311,933
Estimated claims incurred, including changes in estimates	596,311	680,126
Claim payments	<u>(540,968)</u>	<u>(597,957)</u>
Estimated liability - End of year	<u>\$ 449,445</u>	<u>\$ 394,102</u>

### **Note 10 - Defined Benefit Pension Plans**

#### **Police and Fire Retirement System**

**Plan Description** - The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Westland Police and Fire Employees' Retirement System; this plan covers all police and fire employees of the City. The system provides retirement, health care, disability, and death benefits to plan members and their beneficiaries. At June 30, 2005, the date of the most recent actuarial valuation, membership consisted of 156 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 173 current active employees. The plan does not issue a separate financial report.

**Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

**Annual Pension Costs** - For the year ended June 30, 2006, the City's annual pension cost of \$4,069,216 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2004, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5.00 percent per year to 9.00 percent per year, depending on age, attributable to seniority/merit, and (c) a one-time adjustment of 5.00 percent after six years of retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.



# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 10 - Defined Benefit Pension Plans (Continued)

**Reserves** - As of June 30, 2006, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 858,322
Reserve for retired benefit payments	63,217,605

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2004	2005	2006
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 2,367,997	\$ 3,287,050	\$ 4,069,216
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

#### Municipal Employees' Retirement System of Michigan

**Plan Description** - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City other than police and fire employees. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48197.

**Funding Policy** - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's competitive bargaining units and requires no contribution from the employees.

### Note 10 - Defined Benefit Pension Plans (Continued)

**Annual Pension Costs** - For the year ended June 30, 2006, the City's annual pension cost of \$3,489,536 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age cost method. Significant actuarial assumptions used include: (a) an 8.00 percent investment rate of return, (b) projected salary increases of 4.50 percent per year to 12.90 percent per year, attributable to seniority/merit, and (c) postretirement benefit increases of 2.50 percent annually. Both (a) and (b) include an inflationary component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2004	2005	2006
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 2,995,512	\$ 3,222,001	\$ 3,489,536
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial Valuation as of December 31			
	2003	2004	2005
Actuarial value of assets	\$ 42,681,160	\$ 47,121,078	\$ 49,394,852
Actuarial accrued liability (AAL) (entry)	\$ 77,912,357	\$ 81,988,242	\$ 85,133,646
Unfunded AAL (UAAL)	\$ 32,845,758	\$ 34,867,164	\$ 35,738,794
Funded ratio	54.78%	57.47%	58.02%
Covered payroll	\$ 9,755,164	\$ 10,136,784	\$ 10,123,891
UAAL as a percentage of covered payroll	337%	344%	353%

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 11 - Joint Ventures

The City participates in the Nankin Transit Commission and the Central Wayne County Sanitation Authority with the communities indicated below. The City appoints two members to the Nankin Transit Commission's governing board and one member to the Central Wayne County Sanitation Authority's board, who then approve the annual budget. The City recorded a long-term liability related to the Authority of approximately \$565,000 in the government-wide statement of net assets. In addition, the entire postclosure care costs are now recorded as a liability for the Authority. As a result, the Authority has a net asset deficit of \$1,195,506 as of June 30, 2006. The liability will be funded over 30 years ending June 30, 2036 as the debt payments and postclosure costs come due.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future, other than the letter of credit discussed in Note 12. Complete financial statements for the Nankin Transit Commission and the Central Wayne County Sanitation Authority can be obtained from their administrative offices at William J. Engle Memorial Building, 37137 Marquette St., Westland, MI 48185 and 3759 Commerce Court, Wayne, MI 48184, respectively.

	Nankin Transit Commission	Central Wayne County Sanitation Authority
Participating communities	City of Garden City City of Inkster City of Wayne City of Westland	City of Dearborn Heights City of Garden City City of Inkster City of Wayne City of Westland

### Note 12 - Contingent Liabilities

**Letter of Credit** - The City participates in a joint venture, the Central Wayne County Sanitation Authority, through which the City has obligated its full faith and credit under an irrevocable letter of credit. The letter of credit totals \$1,365,000, of which the City's portion would be \$505,000 should the Authority default on this letter of credit. See Note 11 for financial information on Central Wayne County Sanitation Authority.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2006

### Note 12 - Contingent Liabilities (Continued)

**Environmental Cleanup** - The City may have financial exposure in actions to cleanup sites of environmental contamination. These sites are not currently owned or controlled by the City. Evaluation of the required cleanup and associated costs is in the process of being determined by the current property owners. The monetary exposure to the City cannot presently be determined but could be significant.

### Note 13 - Restricted Net Assets

Fund balances of governmental funds have been restricted for the following purposes:

Restricted for	Total Governmental Activities	Total Business-type Activities	Total Component Units
Police and Fire Retirement System	\$ 2,250,000	\$ -	\$ -
Sanitation	1,146,000	-	-
Street lighting	19,095	-	-
Public safety - E911	584,637	-	-
Public safety - Drug forfeiture	179,180	-	-
County drain debt service	105,911	-	-
800 MHZ Fund	34,049	-	-
Public Improvement Fund	53,671	-	-
Task Force Fund	62,752	-	-
Restricted Cable Commission projects	563,292	-	-
Sewer system construction	-	17,065	-
Revenue bonds	-	775,000	-
Metro Act Fund - Right-of-way improvements	461,477	-	-
Construction	-	-	999,733
Total	<u>\$ 5,460,064</u>	<u>\$ 792,065</u>	<u>\$ 999,733</u>

### Note 14 - Postemployment Benefits

The City provides postemployment health benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 377 retirees are eligible for postemployment health benefits. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$3,938,000. Of this amount, approximately \$2,034,000 and \$1,904,000 was paid by the Police and Fire Retirement System Fund and the General Fund, respectively.

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

### Note 15 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Building permit revenue	\$ 1,130,759
Direct costs	<u>(1,378,099)</u>
Excess	(247,340)
Cumulative shortfall - July 1, 2005	<u>(899,529)</u>
Cumulative shortfall - June 30, 2006	<u><u>\$ (1,146,869)</u></u>

### **Note 16 - Commitments**

The City has entered into several construction and maintenance contracts totaling \$6,751,912. As of June 30, 2006, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

## **Required Supplemental Information**

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# City of Westland, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Fund Balance - July 1, 2005</b>	\$ 5,794,557	\$ 5,794,557	\$ 5,794,557	\$ -
<b>Revenues</b>				
Property taxes	24,561,434	24,561,434	23,946,259	(615,175)
Business licenses and permits	42,350	48,350	36,015	(12,335)
Nonbusiness licenses and permits	1,538,686	1,532,686	1,282,025	(250,661)
State-shared revenue	8,901,336	9,144,007	8,979,101	(164,906)
Charges for services	13,222,331	13,212,331	11,862,698	(1,349,633)
Miscellaneous	7,955,661	8,527,263	9,544,882	1,017,619
<b>Total revenues</b>	<b>56,221,798</b>	<b>57,026,071</b>	<b>55,650,980</b>	<b>(1,375,091)</b>
<b>Appropriations</b>				
Legislative	137,309	137,309	123,123	14,186
District Court	3,498,163	3,274,287	3,315,788	(41,501)
Executive	526,233	526,233	507,022	19,211
Elections	261,267	318,567	272,237	46,330
City clerk	518,141	518,141	440,823	77,318
Assessment	725,229	763,959	748,850	15,109
Police and Fire Retirement Board	584,000	584,000	471,968	112,032
Law	605,000	605,000	689,798	(84,798)
Personnel	320,141	320,141	316,562	3,579
Board of Review	4,586	4,586	1,846	2,740
Finance	1,741,492	1,741,492	1,594,900	146,592
City Hall and grounds	208,200	301,664	277,520	24,144
General civil service	8,699	8,699	6,309	2,390
Police and fire civil service	12,175	44,575	30,240	14,335
General government	2,230,500	2,230,500	2,009,999	220,501
Police	14,273,165	14,359,352	14,494,955	(135,603)
Fire	10,743,216	10,736,222	10,221,341	514,881
Building	1,409,115	1,432,519	1,378,099	54,420
Joint dispatch	1,334,094	1,353,920	1,122,053	231,867
General maintenance	701,858	701,858	110,365	591,493
Engineering	628,232	628,232	699,105	(70,873)
Highway maintenance	3,271,877	3,396,121	3,211,738	184,383
Sanitation	4,821,998	4,775,788	4,564,030	211,758
Youth assistance program	216,144	216,144	204,451	11,693
Senior resources	504,123	504,123	497,127	6,996



# City of Westland, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Appropriations (Continued)</b>				
Parks and recreation	\$ 1,638,359	\$ 1,743,322	\$ 1,618,033	\$ 125,289
Golf course	457,364	457,364	446,714	10,650
Parks and Recreation Advisory Council	5,040	5,040	4,020	1,020
Ice arena	461,173	461,173	460,256	917
Housing	358,442	383,008	340,377	42,631
Economic development	167,013	163,613	35,415	128,198
Historical Commission	20,000	22,808	17,017	5,791
Economic Development Corporation	285	3,685	14	3,671
Planning	269,339	269,339	243,029	26,310
Planning Commission	9,350	9,350	6,517	2,833
Zoning Board of Appeals	8,057	8,057	6,352	1,705
Community development programs	491,498	491,498	436,366	55,132
Commission on Aging	7,920	7,920	6,254	1,666
Insurance and bonds	2,225,000	2,225,000	2,280,686	(55,686)
Motorpool contribution	1,309,852	1,399,852	1,220,313	179,539
Operating transfers out	120,000	343,876	431,732	(87,856)
 Total appropriations	 56,833,649	 57,478,337	 54,863,344	 2,614,993
 <b>Fund Balance - June 30, 2006</b>	 <b><u>\$ 5,182,706</u></b>	 <b><u>\$ 5,342,291</u></b>	 <b><u>\$ 6,582,193</u></b>	 <b><u>\$ 1,239,902</u></b>

# City of Westland, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major Roads Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Fund Balance - July 1, 2005</b>	\$ 3,149,901	\$ 3,149,901	\$ 3,149,901	\$ -
<b>Sources</b>				
State sources	3,500,000	3,500,000	3,455,052	(44,948)
Charges for services	79,251	79,521	79,521	-
Local sources	-	1,000,000	524,312	(475,688)
Interest income	12,000	12,000	52,135	40,135
Total sources	6,741,152	7,741,422	7,260,921	(480,501)
<b>Uses</b>				
Maintenance	551,000	551,000	659,956	(108,956)
Traffic	75,000	75,000	61,892	13,108
Snow removal	280,000	280,000	172,358	107,642
Administration	350,000	350,000	345,505	4,495
Construction	1,300,000	3,579,311	1,595,075	1,984,236
Transfers to other funds	1,765,439	1,588,939	1,577,451	11,488
Total uses	4,321,439	6,424,250	4,412,237	2,012,013
<b>Fund Balance - June 30, 2006</b>	<b>\$ 2,419,713</b>	<b>\$ 1,317,172</b>	<b>\$ 2,848,684</b>	<b>\$ 1,531,512</b>

\*For Special Revenue Funds, the final amended budget is adopted at the fund level.

# City of Westland, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Roads Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Fund Balance - July 1, 2005</b>	\$ 549,067	\$ 549,067	\$ 549,067	\$ -
<b>Sources</b>				
State sources	1,200,000	1,200,000	1,241,850	41,850
Special assessments	592,000	592,000	39,699	(552,301)
Interest income	3,000	3,000	5,772	2,772
Transfers from other funds	<u>875,000</u>	<u>875,000</u>	<u>863,763</u>	<u>(11,237)</u>
Total sources	3,219,067	3,219,067	2,700,151	(518,916)
<b>Uses</b>				
Maintenance	1,600,000	1,600,000	1,657,862	(57,862)
Traffic	85,000	85,000	81,139	3,861
Snow removal	255,000	255,000	99,066	155,934
Administration	120,000	120,000	124,185	(4,185)
Construction	955,000	1,010,578	624,844	385,734
Transfers to other funds	<u>53,500</u>	<u>146,683</u>	<u>42,473</u>	<u>104,210</u>
Total uses	<u>3,068,500</u>	<u>3,217,261</u>	<u>2,629,569</u>	<u>587,692</u>
<b>Fund Balance - June 30, 2006</b>	<u><u>\$ 150,567</u></u>	<u><u>\$ 1,806</u></u>	<u><u>\$ 70,582</u></u>	<u><u>\$ 68,776</u></u>

\*For Special Revenue Funds, the final amended budget is adopted at the fund level.

# City of Westland, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress (000s omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded/ Underfunded AAL (UAAL) (a-b)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/2000	\$ 125,200	\$ 95,900	\$ (29,300)	130.6	\$ 10,300	(284.5)
06/30/2001	132,200	101,100	(31,100)	130.8	10,800	(288.0)
06/30/2002	124,500	110,400	(14,100)	112.8	11,100	(127.0)
06/30/2003	123,700	116,300	(7,400)	106.4	11,300	(65.5)
06/30/2004	123,800	121,700	(2,100)	101.7	11,400	(18.4)
06/30/2005	125,200	126,400	1,200	99.1	11,300	10.6

## Schedule of Employer Contributions

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/01	12/31/00	\$ 1,988,901	100
06/30/02	12/31/01	1,782,366	100
06/30/03	12/31/02	1,846,559	100
06/30/04	12/31/03	2,367,997	100
06/30/05	12/31/04	3,287,050	100
06/30/06	12/31/05	4,069,216	100

\* The required contribution is expressed to the City as a percentage of payroll.

## **Other Supplemental Information**

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# City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
<b>General Government</b>				
Legislative	\$ 96,877	\$ 96,765	\$ 2,750	\$ 1,136
City Clerk	491,600	428,665	7,691	6,183
Executive	507,234	495,388	8,675	5,699
Elections	152,312	131,726	29,091	25,012
Assessment	515,225	501,971	4,260	3,171
General - Law	-	-	-	-
General - Civil service	3,399	2,181	1,075	1,042
Police and fire civil service	4,720	3,735	155	46
Finance	1,470,053	1,343,373	61,850	59,062
Board of Review	4,478	1,800	108	46
City Hall and grounds	-	-	31,200	24,820
General government	2,017,500	1,888,909	50,000	40,619
Engineering	307,582	291,363	3,600	1,530
General maintenance	104,509	82,794	5,349	609
Planning	226,624	219,598	3,497	2,571
Planning Commission	8,100	6,120	300	-
Zoning Board of Appeals	7,532	6,162	125	33
Economic development	159,613	34,070	4,000	1,345
Community development programs	422,228	381,132	8,520	7,464
Housing development	383,008	340,377	-	-
Insurance and bonds	75,000	22,835	-	-
Personnel	309,105	306,585	3,390	2,828
Total general government	7,266,699	6,585,549	225,636	183,216
<b>Public Safety</b>				
District Court	2,710,089	2,814,741	76,000	70,035
Police	12,971,870	13,147,004	77,600	82,478
Fire	10,225,836	9,762,079	130,580	113,299
Police and Fire Retirement Board	-	-	-	-
Joint dispatch	1,315,092	1,105,107	12,202	12,174
Building	1,293,160	1,252,041	14,475	11,375
Total public safety	28,516,047	28,080,972	310,857	289,361
<b>Highways and Streets</b>	2,197,082	2,085,115	389,919	367,065

\* The "total" column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.

**Other Supplemental Information**  
**Schedule of Expenditures - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2006**

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ 37,682	\$ 25,222	\$ -	\$ -	\$ -	\$ -	\$ 137,309	\$ 123,123
6,850	1,666	12,000	4,309	-	-	518,141	440,823
10,324	5,935	-	-	-	-	526,233	507,022
91,364	84,220	45,800	31,279	-	-	318,567	272,237
244,474	243,708	-	-	-	-	763,959	748,850
605,000	689,798	-	-	-	-	605,000	689,798
4,225	3,086	-	-	-	-	8,699	6,309
39,700	26,459	-	-	-	-	44,575	30,240
209,589	192,465	-	-	-	-	1,741,492	1,594,900
-	-	-	-	-	-	4,586	1,846
182,000	172,212	88,464	80,488	-	-	301,664	277,520
163,000	80,471	-	-	-	-	2,230,500	2,009,999
317,050	406,212	-	-	-	-	628,232	699,105
592,000	26,962	-	-	-	-	701,858	110,365
39,218	20,860	-	-	-	-	269,339	243,029
950	397	-	-	-	-	9,350	6,517
400	157	-	-	-	-	8,057	6,352
3,685	14	-	-	-	-	167,298	35,429
60,750	47,770	-	-	-	-	491,498	436,366
-	-	-	-	-	-	383,008	340,377
2,150,000	2,257,851	-	-	-	-	2,225,000	2,280,686
7,646	7,149	-	-	-	-	320,141	316,562
4,765,907	4,292,614	146,264	116,076	-	-	12,404,506	11,177,455
488,198	431,012	-	-	-	-	3,274,287	3,315,788
1,187,045	1,207,813	67,152	1,977	55,685	55,683	14,359,352	14,494,955
322,706	295,563	57,100	50,400	-	-	10,736,222	10,221,341
584,000	471,968	-	-	-	-	584,000	471,968
26,626	4,772	-	-	-	-	1,353,920	1,122,053
101,480	91,279	23,404	23,404	-	-	1,432,519	1,378,099
2,710,055	2,502,407	147,656	75,781	55,685	55,683	31,740,300	31,004,204
759,124	709,562	-	-	49,996	49,996	3,396,121	3,211,738

# City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
<b>Building Authority Debt - Tower - Operating transfer</b>	\$ -	\$ -	\$ -	\$ -
<b>Sanitation</b>	87,823	75,582	21,500	15,108
<b>Cultural and Recreation</b>				
Youth assistance	-	-	2,000	1,758
Senior resource department	363,177	359,928	12,950	11,673
Parks and recreation	1,239,101	1,207,656	119,670	119,506
Golf course	-	-	72,050	68,103
Parks and Recreation Advisory Council	5,040	4,020	-	-
Historical committee	3,570	3,570	850	438
Ice arena	-	-	48,833	48,369
Commission on Aging	7,920	6,254	-	-
Total cultural and recreation	1,618,808	1,581,428	256,353	249,847
<b>Debt Service</b>	-	-	-	-
<b>Sundry - Motorpool contribution</b>	1,399,852	1,220,313	-	-
Total expenditures and other operating transfers	<u>\$ 41,086,311</u>	<u>\$ 39,628,959</u>	<u>\$ 1,204,265</u>	<u>\$ 1,104,597</u>

\* The "total" column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.



**Other Supplemental Information**  
**Schedule of Expenditures - Budget and Actual (Continued)**  
**General Fund**  
**Year Ended June 30, 2006**

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ 343,876	\$ 431,732	\$ 343,876	\$ 431,732
4,586,465	4,398,340	80,000	75,000	-	-	4,775,788	4,564,030
214,144	202,693	-	-	-	-	216,144	204,451
127,996	125,526	-	-	-	-	504,123	497,127
244,588	236,738	139,963	54,133	-	-	1,743,322	1,618,033
385,314	378,611	-	-	-	-	457,364	446,714
-	-	-	-	-	-	5,040	4,020
10,580	6,034	7,808	6,975	-	-	22,808	17,017
412,340	411,887	-	-	-	-	461,173	460,256
-	-	-	-	-	-	7,920	6,254
1,394,962	1,361,489	147,771	61,108	-	-	3,417,894	3,253,872
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,399,852	1,220,313
<b>\$ 14,216,513</b>	<b>\$ 13,264,412</b>	<b>\$ 521,691</b>	<b>\$ 327,965</b>	<b>\$ 449,557</b>	<b>\$ 537,411</b>	<b>\$ 57,478,337</b>	<b>\$ 54,863,344</b>

# City of Westland, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 3,245,461	\$ 25,493	\$ 260,182	\$ 3,531,136
Receivables - Net	594,752	80,418	-	675,170
Due from other funds	158,514	12,348	63,000	233,862
Due from other governmental units	476,603	-	-	476,603
Total assets	<u>\$ 4,475,330</u>	<u>\$ 118,259</u>	<u>\$ 323,182</u>	<u>\$ 4,916,771</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 422,977	\$ 225	\$ 4,500	\$ 427,702
Accrued and other liabilities	109,587	-	-	109,587
Due to other funds	352,097	794	-	352,891
Deferred revenue	147,842	-	-	147,842
Total liabilities	1,032,503	1,019	4,500	1,038,022
<b>Fund Balances</b>				
Reserved	114,637	-	-	114,637
Unreserved:				
Designated	-	-	318,682	318,682
Undesignated	3,328,190	117,240	-	3,445,430
Total fund balances	<u>3,442,827</u>	<u>117,240</u>	<u>318,682</u>	<u>3,878,749</u>
Total liabilities and fund balances	<u>\$ 4,475,330</u>	<u>\$ 118,259</u>	<u>\$ 323,182</u>	<u>\$ 4,916,771</u>

# City of Westland, Michigan

## Other Supplemental Information

### Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

### Nonmajor Governmental Funds

### Year Ended June 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 1,808,245	\$ 758,858	\$ -	\$ 2,567,103
Federal sources	1,615,236	-	-	1,615,236
State sources	62,555	-	-	62,555
Local sources	1,278,042	-	-	1,278,042
Charges for services	968,001	-	-	968,001
Special assessments	898,364	-	-	898,364
Refund of captured property taxes	177,346	74,355	-	251,701
Interest and other	180,836	12,132	9,666	202,634
Total revenues	6,988,625	845,345	9,666	7,843,636
<b>Expenditures</b>				
Public safety	39,804	-	2,600	42,404
Highways, streets, and drains	-	-	18,100	18,100
Street lighting	1,132,168	-	-	1,132,168
Cultural and recreation	4,869,556	-	-	4,869,556
Contracted services	232,899	-	-	232,899
Debt service	-	3,985,405	-	3,985,405
Sundry	60,891	-	-	60,891
Total expenditures	6,335,318	3,985,405	20,700	10,341,423
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	653,307	(3,140,060)	(11,034)	(2,497,787)
<b>Other Financing Sources (Uses)</b>				
Payment to refunding agent	-	(1,895,000)	-	(1,895,000)
Proceeds from issuance of long-term debt	-	3,970,000	-	3,970,000
Operating transfers in	341,706	1,130,354	63,000	1,535,060
Operating transfers out	(900,013)	(204,934)	(79,191)	(1,184,138)
Total other financing sources (uses)	(558,307)	3,000,420	(16,191)	2,425,922
<b>Net Change in Fund Balances</b>	95,000	(139,640)	(27,225)	(71,865)
<b>Fund Balances - July 1, 2005</b>	3,347,827	256,880	345,907	3,950,614
<b>Fund Balances - June 30, 2006</b>	<u>\$ 3,442,827</u>	<u>\$ 117,240</u>	<u>\$ 318,682</u>	<u>\$ 3,878,749</u>

# City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
<b>Assets</b>					
Cash and cash equivalents	\$ 23,797	\$ 90,928	\$ 528,268	\$ 53,671	\$ 179,786
Receivables - Net	-	70,434	249,229	-	-
Due from other funds	94,875	7,733	-	-	-
Due from other governmental units	359,181	-	-	-	-
Total assets	<u>\$ 477,853</u>	<u>\$ 169,095</u>	<u>\$ 777,497</u>	<u>\$ 53,671</u>	<u>\$ 179,786</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 98,287	\$ 150,000	\$ 105,381	\$ -	\$ 606
Accrued and other liabilities	-	-	100,000	-	-
Due to other funds	271,724	-	8,824	-	-
Deferred revenue	107,842	-	-	-	-
Total liabilities	477,853	150,000	214,205	-	606
<b>Fund Balances</b>					
Reserved	-	-	114,637	-	-
Unreserved - Undesignated	-	19,095	448,655	53,671	179,180
Total fund balances	-	19,095	563,292	53,671	179,180
Total liabilities and fund balances	<u>\$ 477,853</u>	<u>\$ 169,095</u>	<u>\$ 777,497</u>	<u>\$ 53,671</u>	<u>\$ 179,786</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2006**

Library	Task Force	E-911	800 MHZ	Task Force Airport	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ 1,304,256	\$ 62,752	\$ 462,800	\$ 35,583	\$ 22	\$ 503,598	\$ 3,245,461
156,344	-	118,279	466	-	-	594,752
-	-	55,906	-	-	-	158,514
117,422	-	-	-	-	-	476,603
<u>\$ 1,578,022</u>	<u>\$ 62,752</u>	<u>\$ 636,985</u>	<u>\$ 36,049</u>	<u>\$ 22</u>	<u>\$ 503,598</u>	<u>\$ 4,475,330</u>
\$ 68,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 422,977
9,587	-	-	-	-	-	109,587
15,058	-	12,348	2,000	22	42,121	352,097
-	-	40,000	-	-	-	147,842
93,348	-	52,348	2,000	22	42,121	1,032,503
-	-	-	-	-	-	114,637
1,484,674	62,752	584,637	34,049	-	461,477	3,328,190
1,484,674	62,752	584,637	34,049	-	461,477	3,442,827
<u>\$ 1,578,022</u>	<u>\$ 62,752</u>	<u>\$ 636,985</u>	<u>\$ 36,049</u>	<u>\$ 22</u>	<u>\$ 503,598</u>	<u>\$ 4,475,330</u>

# City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	1,615,236	-	-	-	-
State sources	-	-	-	-	-
Local sources	-	-	-	-	247,599
Charges for services	-	-	968,001	-	-
Special assessments	-	898,364	-	-	-
Refund of captured property taxes	-	-	-	-	-
Interest and other	-	2,102	23,900	1,975	3,262
Total revenues	1,615,236	900,466	991,901	1,975	250,861
<b>Expenditures</b>					
Public safety	-	-	-	-	37,204
Street lighting	-	1,132,168	-	-	-
Cultural and recreation	1,615,236	-	1,253,228	-	-
Contracted services	-	-	-	-	-
Sundry	-	-	-	6,501	-
Total expenditures	1,615,236	1,132,168	1,253,228	6,501	37,204
<b>Excess of Revenues Over (Under)</b>					
Expenditures	-	(231,702)	(261,327)	(4,526)	213,657
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	220,000	-	-	-
Operating transfers out	-	-	(142,377)	-	(150,000)
Total other financing sources (uses)	-	220,000	(142,377)	-	(150,000)
<b>Net Change in Fund Balances</b>	-	(11,702)	(403,704)	(4,526)	63,657
<b>Fund Balances - July 1, 2005</b>	-	30,797	966,996	58,197	115,523
<b>Fund Balances - June 30, 2006</b>	\$ -	\$ 19,095	\$ 563,292	\$ 53,671	\$ 179,180

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2006**

Library	Task Force	E-911	800 MHZ	Task Force Airport	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ 1,808,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,808,245
-	-	-	-	-	-	1,615,236
62,555	-	-	-	-	-	62,555
195,014	19,926	456,507	133,165	-	225,831	1,278,042
-	-	-	-	-	-	968,001
-	-	-	-	-	-	898,364
177,346	-	-	-	-	-	177,346
63,200	2,143	15,631	68,623	-	-	180,836
2,306,360	22,069	472,138	201,788	-	225,831	6,988,625
-	-	2,600	-	-	-	39,804
-	-	-	-	-	-	1,132,168
2,001,092	-	-	-	-	-	4,869,556
-	-	-	230,699	-	2,200	232,899
-	25,120	-	-	-	29,270	60,891
2,001,092	25,120	2,600	230,699	-	31,470	6,335,318
305,268	(3,051)	469,538	(28,911)	-	194,361	653,307
-	-	79,191	42,515	-	-	341,706
(175,000)	-	(342,515)	-	-	(90,121)	(900,013)
(175,000)	-	(263,324)	42,515	-	(90,121)	(558,307)
130,268	(3,051)	206,214	13,604	-	104,240	95,000
1,354,406	65,803	378,423	20,445	-	357,237	3,347,827
<b>\$ 1,484,674</b>	<b>\$ 62,752</b>	<b>\$ 584,637</b>	<b>\$ 34,049</b>	<b>\$ -</b>	<b>\$ 461,477</b>	<b>\$ 3,442,827</b>

# City of Westland, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2006

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - Tower	Building Authority Debt - 2005 Refunding	County Drain Debt	Building Authority - Court Expansion	Total Nonmajor Debt Service Funds
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 25,493	\$ -	\$ 25,493
Receivables - Net	-	-	-	80,418	-	80,418
Due from other funds	-	-	12,348	-	-	12,348
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,348</u>	<u>\$ 105,911</u>	<u>\$ -</u>	<u>\$ 118,259</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 225	\$ -	\$ -	\$ 225
Due to other funds	-	-	794	-	-	794
Total liabilities	-	-	1,019	-	-	1,019
<b>Fund Balances - Unreserved - Undesignated</b>	-	-	11,329	105,911	-	117,240
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,348</u>	<u>\$ 105,911</u>	<u>\$ -</u>	<u>\$ 118,259</u>



# City of Westland, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds Year Ended June 30, 2006

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - Tower	Building Authority Debt - 2005 Refunding	County Drain Debt	Building Authority Debt - Court Expansion	Total Nonmajor Debt Service Funds
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 758,858	\$ -	\$ 758,858
Refund of captured property taxes	-	-	-	74,355	-	74,355
Interest and other	-	-	-	12,132	-	12,132
Total revenues	-	-	-	845,345	-	845,345
<b>Expenditures - Debt service</b>	<u>713,688</u>	<u>127,363</u>	<u>2,153,739</u>	<u>842,777</u>	<u>147,838</u>	<u>3,985,405</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(713,688)	(127,363)	(2,153,739)	2,568	(147,838)	(3,140,060)
<b>Other Financing Sources (Uses)</b>						
Payment to refunding agent	-	-	(1,895,000)	-	-	(1,895,000)
Proceeds from issuance of long-term debt	-	-	3,970,000	-	-	3,970,000
Operating transfers in	713,688	99,569	169,259	-	147,838	1,130,354
Operating transfers out	-	(125,743)	(79,191)	-	-	(204,934)
Total other financing sources (uses)	<u>713,688</u>	<u>(26,174)</u>	<u>2,165,068</u>	<u>-</u>	<u>147,838</u>	<u>3,000,420</u>
<b>Net Change in Fund Balances</b>	-	(153,537)	11,329	2,568	-	(139,640)
<b>Fund Balances - July 1, 2005</b>	<u>-</u>	<u>153,537</u>	<u>-</u>	<u>103,343</u>	<u>-</u>	<u>256,880</u>
<b>Fund Balances - June 30, 2006</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,329</u>	<u>\$ 105,911</u>	<u>\$ -</u>	<u>\$ 117,240</u>

# City of Westland, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Capital Projects Funds June 30, 2006

	Tower	Drain Problem	Total Nonmajor Capital Projects Funds
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 260,182	\$ 260,182
Due from other funds	-	63,000	63,000
Total assets	<u>\$ -</u>	<u>\$ 323,182</u>	<u>\$ 323,182</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b> - Accounts payable	\$ -	\$ 4,500	\$ 4,500
<b>Fund Balances</b> - Unreserved - Designated	-	318,682	318,682
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 323,182</u>	<u>\$ 323,182</u>

# City of Westland, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Capital Projects Funds Year Ended June 30, 2006

	Tower	Drain Problem	Total Nonmajor Capital Projects Funds
<b>Revenues</b> - Interest and other	\$ -	\$ 9,666	\$ 9,666
<b>Expenditures</b>			
Public safety	2,600	-	2,600
Highways, steets, and drains	-	18,100	18,100
Total expenditures	2,600	18,100	20,700
<b>Excess of Expenditures Over Revenues</b>	(2,600)	(8,434)	(11,034)
<b>Other Financing Sources (Uses)</b> - Operating transfers in (out)	(79,191)	63,000	(16,191)
<b>Net Change in Fund Balances</b>	(81,791)	54,566	(27,225)
<b>Fund Balances</b> - July 1, 2005	81,791	264,116	345,907
<b>Fund Balances</b> - June 30, 2006	\$ -	\$ 318,682	\$ 318,682

# City of Westland, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2006

		Self-insurance		
		Workers'		
	Motorpool	Compensation	General Liability	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 176,775	\$ -	\$ -	\$ 176,775
Due from other funds	21,569	449,073	914,499	1,385,141
Inventory	10,588	-	-	10,588
Prepaid costs and other assets	-	372	-	372
Total current assets	208,932	449,445	914,499	1,572,876
Equipment	4,449,337	-	-	4,449,337
Total assets	4,658,269	449,445	914,499	6,022,213
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	38,437	-	116,948	155,385
Accrued liabilities	26,423	449,445	722,599	1,198,467
Current portion of long-term debt	540,154	-	-	540,154
Total current liabilities	605,014	449,445	839,547	1,894,006
Long-term debt	1,213,774	-	-	1,213,774
Total liabilities	1,818,788	449,445	839,547	3,107,780
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	2,695,409	-	-	2,695,409
Unrestricted	144,072	-	74,952	219,024
Total net assets	<u>\$ 2,839,481</u>	<u>\$ -</u>	<u>\$ 74,952</u>	<u>\$ 2,914,433</u>

# City of Westland, Michigan

## Other Supplemental Information Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2006

		Self-insurance		
	Motorpool	Workers' Compensation	General Liability	Total
<b>Operating Revenues - Charges to other funds</b>	\$ 2,897,441	\$ 545,168	\$ 1,620,860	\$ 5,063,469
<b>Operating Expenses</b>				
Wages and fringe benefits	538,705	-	-	538,705
Contracted services	6,600	4,200	-	10,800
Operating supplies	461,198	-	-	461,198
Repairs and maintenance	362,321	-	-	362,321
Insurance, claims, and other	1,057	540,968	1,561,706	2,103,731
Depreciation	1,006,754	-	-	1,006,754
Rent	13,700	-	-	13,700
<b>Total operating expenses</b>	<u>2,390,335</u>	<u>545,168</u>	<u>1,561,706</u>	<u>4,497,209</u>
<b>Operating Income</b>	507,106	-	59,154	566,260
<b>Nonoperating Revenue (Expense)</b>				
Investment income	1,934	-	118	2,052
Interest expense	(28,764)	-	-	(28,764)
Gain on disposal of assets	22,505	-	-	22,505
<b>Total nonoperating revenue (expense)</b>	<u>(4,325)</u>	<u>-</u>	<u>118</u>	<u>(4,207)</u>
<b>Change in Net Assets</b>	502,781	-	59,272	562,053
<b>Net Assets - July 1, 2005</b>	<u>2,336,700</u>	<u>-</u>	<u>15,680</u>	<u>2,352,380</u>
<b>Net Assets - June 30, 2006</b>	<u><b>\$ 2,839,481</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 74,952</b></u>	<u><b>\$ 2,914,433</b></u>

# City of Westland, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2006

		Self-insurance		
	Motorpool	Workers' Compensation	General Liability	Total
<b>Cash Flows from Operating Activities</b>				
Internal activity - Payments from other funds	\$ 2,826,261	\$ 489,825	\$ 1,525,060	\$ 4,841,146
Payments to suppliers	(842,769)	(4,200)	(63,472)	(910,441)
Payments to employees	(550,199)	-	-	(550,199)
Claims paid	-	(485,625)	(1,461,706)	(1,947,331)
Net cash provided by (used in) operating activities	1,433,293	-	(118)	1,433,175
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal and interest paid on long-term debt	(384,833)	-	-	(384,833)
Purchase of capital assets	(1,011,166)	-	-	(1,011,166)
Proceeds from sale of assets	22,505	-	-	22,505
Net cash used in capital and related financing activities	(1,373,494)	-	-	(1,373,494)
<b>Cash Flows from Investing Activities</b> - Interest received on investments and other assets	1,934	-	118	2,052
<b>Net Increase in Cash and Cash Equivalents</b>	61,733	-	-	61,733
<b>Cash and Cash Equivalents</b> - July 1, 2005	115,042	-	-	115,042
<b>Cash and Cash Equivalents</b> - June 30, 2006	<u>\$ 176,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,775</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>				
Operating income	\$ 507,106	\$ -	\$ 59,154	\$ 566,260
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	1,006,754	-	-	1,006,754
Changes in assets and liabilities:				
Due from other funds	(21,569)	(54,971)	(95,800)	(172,340)
Other assets	4,195	(372)	-	3,823
Accounts payable	(2,088)	-	(63,472)	(65,560)
Accrued liabilities	(11,494)	55,343	100,000	143,849
Due to other funds	(49,611)	-	-	(49,611)
Net cash provided by (used in) operating activities	<u>\$ 1,433,293</u>	<u>\$ -</u>	<u>\$ (118)</u>	<u>\$ 1,433,175</u>

# City of Westland, Michigan

## Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds June 30, 2006

	Trust and Agency	Undistributed Tax Collection	District Court	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 1,971,636	\$ 1,105,956	\$ 625,989	\$ 3,703,581
Accrued interest and other assets	-	1,927	-	1,927
Total assets	<u><b>\$ 1,971,636</b></u>	<u><b>\$ 1,107,883</b></u>	<u><b>\$ 625,989</b></u>	<u><b>\$ 3,705,508</b></u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 232,731	\$ -	\$ 232,731
Accrued and other liabilities	1,971,636	-	517,219	2,488,855
Due to other governmental units	-	875,152	108,770	983,922
Total liabilities	<u><b>\$ 1,971,636</b></u>	<u><b>\$ 1,107,883</b></u>	<u><b>\$ 625,989</b></u>	<u><b>\$ 3,705,508</b></u>

# **City of Westland, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2006**



# City of Westland, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

We have audited the financial statements of the City of Westland, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 13, 2006. Those basic financial statements are the responsibility of the management of the City of Westland, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westland, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 13, 2006

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Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

We have audited the financial statements of the City of Westland, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Westland, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Westland, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Westland, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2006-1. We also noted certain additional matters that we have reported to the management of the City of Westland, Michigan in a separate letter dated October 13, 2006.

This report is intended solely for the information and use of the City Council and City management and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

November 7, 2006

Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

## Compliance

We have audited the compliance of the City of Westland, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The major federal programs of the City of Westland, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Westland, Michigan's management. Our responsibility is to express an opinion on the City of Westland, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Westland, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Westland, Michigan's compliance with those requirements.

In our opinion, the City of Westland, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2006-3.

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

## **Internal Control Over Compliance**

The management of the City of Westland, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Westland, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Westland, Michigan's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the City Council and City management and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

November 7, 2006

# City of Westland, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant:	14.218	N/A	
Program year 2003 - B-03-MC-26-0017			\$ 5,065
Program year 2004 - B-04-MC-26-0017			60,802
Program year 2005 - B-05-MC-26-0017			<u>1,160,095</u>
Total Community Development Block Grant			1,225,962
Section 108 Loan Balance outstanding as of June 30, 2006:			
Program year 1998 - B-98-MC-26-0017	14.248	N/A	60,000
Program year 1999 - B-99-MC-26-0017	14.248	N/A	<u>280,000</u>
Total Community Development Block Grant			340,000
Home Investment Partnership Program -			
Program year 2005 - B-05-MC-26-0017	14.239	N/A	<u>389,273</u>
Total U.S. Department of Housing and Urban Development			1,955,235
Federal Homeland Security - Passed Through State of Michigan - Reimbursement for Fire Department Training	97.004	N/A	42,673
U.S. Environmental Protection Agency:			
River Rouge Wet Weather Demonstration Project			
Round II-B Grant Program - Implement Manhole Rehabilitation and Continue Public Education in City of Westland - Passed Through Wayne County, Michigan	66.606	N/A	183,756
EPA Special Appropriation Grant - Norwayne Watermain	66.606		<u>192,400</u>
Total Environmental Protection Agency			376,156
U.S. Department of Justice:			
Office of Justice Programs:			
Local Law Enforcement Block Grants - 2003-LB-BX-0097	16.592	N/A	37,746
Local Law Enforcement Block Grants - 2004-LB-BX-0098	16.592	N/A	<u>21,252</u>
Total Office of Justice Programs			58,998
Juvenile Justice - Passed through the Michigan Family Independence Agency - 82025-A-03	16.540	82025 I	<u>8,570</u>
Total U.S. Department of Justice			67,568
U.S. Department of Agriculture - Food Distribution	10.550	ERP-337.20	<u>13,989</u>
Total federal awards			<u><b>\$ 2,455,621</b></u>

## City of Westland, Michigan

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### **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2006**

Revenue from federal sources - As reported on financial statements	\$ 2,034,064
Federal revenue not reported in the financial statements:	
Section 108 loans not recorded as revenue in the basic financial statements	340,000
Noncash grants received - Revenue not recorded in basic financial statements	13,989
Federal expenditures not received within the current period - LLEBG	58,998
Federal revenue reported as state sources in the financial statements	<u>8,570</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 2,455,621</b></u>



# City of Westland, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Westland, Michigan (the "City") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 230,316
Home Investment Partnership Program	14.239	59,003

# City of Westland, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major program(s):

CFDA	
Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant
66.606	River Rouge Wet Weather Demonstration Project - Round II-B Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

# City of Westland, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

### Section II - Financial Statement Audit Findings

Reference Number	Findings
2006-1	<p><b>Finding Type</b> - Reportable condition</p> <p><b>Condition</b> - The revenues, receivables, and subsequent draw downs associated with the activity of the Community Development Block Grant and Home Investment Partnership Program are not timely recorded or reconciled to the general ledger.</p> <p><b>Context</b> - During audit testing, it was noted that significant activity was not recorded until the end of the year. In addition, significant adjustments were recommended to the City by the auditors.</p> <p><b>Recommendation</b> - The activity noted above should be recorded and reconciled in a timely manner.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City agrees with this finding as written. The City will record and reconcile this activity on a monthly basis.</p>

### Section III - Federal Program Audit Findings

Reference Number	Findings
2006-2	<p><b>Program Name</b> - Community Development Block Grant</p> <p><b>Pass-through Entity</b> - None</p> <p><b>Finding Type</b> - Reportable condition</p> <p><b>Criteria</b> - Certain grant activity was not recorded or reconciled in a timely manner. See item 2006-1 for the remainder of required information.</p> <p><b>Questioned Costs</b> - None</p>

# City of Westland, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2006-3	<p><b>Program Name</b> - EPA Special Appropriation Grant - Norwayne watermain</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material noncompliance</p> <p><b>Criteria</b> - For any current year contracts and subawards over \$25,000, suspension and debarment certifications must be received.</p> <p><b>Condition</b> - The City received bids and awarded work to a contractor. Per review of bid file documentation, as well as the contract, there is no evidence that a suspension and/or debarment certification were examined.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The City did not verify that the contractor that was awarded the bid was not suspended or debarred.</p> <p><b>Cause and Effect</b> - The City could be under contract with a debarred contractor.</p> <p><b>Recommendation</b> - On any bid solicitation, the City should take into consideration whether the bidder is suspended or debarred by searching for the bidder's name at EPLS.gov.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City agrees with this finding as written. The City will examine bid packages more closely and verify that bidders are not on the excluded parties list system and provide documentation.</p>

October 13, 2006

To the City Council Members  
City of Westland  
36601 Ford Road  
Westland, MI 48185

Dear City Council Members:

We have recently completed our audit of the financial statements of the City of Westland (the "City") for the year ended June 30, 2006. Once again, the City's financial statements receive an unqualified opinion, the highest level of assurance your auditors can provide. In fact, the quality and thoroughness of the accounting records continue to improve. This year's audit resulted in the fewest auditor recommended adjustments in over 10 years.

As part of our audit, and in addition to our audit report, we have the following comments and recommendations for your consideration.

### **Financial Results/Plans**

Due to the troubled national and state economy, the fund equity of some of the main operating funds of the City continues to be an area of focus. The following comments are made to help keep you abreast of developments affecting fund equity:

- The City was successful in increasing total General Fund fund balance by approximately \$790,000, to approximately \$6,600,000 as of June 30, 2006. There are two primary reasons for this increase. First, the police and fire retirement property tax revenue was in excess of applicable expenditures. The increase in the police and fire retirement reserved fund balance approximated \$470,000. Second, and perhaps more importantly, most departments spent less than what was approved in the amended budget. Unreserved fund balance increased approximately \$53,000 and approximates \$2,354,000 in total at June 30, 2006.

As noted in other areas of this letter, reductions of state-shared revenues will continue to impact the City's ability to maintain adequate fund balance. The City has worked hard to reduce costs by not filling vacant personnel positions, monitoring some costs, and delaying other costs. This effort will need to continue for the foreseeable future. To assist in this effort, we continue to encourage the updating and review of the City's five-year plan to assist with this process.

- During the past fiscal year, the Water and Sewer Fund operations continued to generate cash from operations. A significant amount of the accumulated cash was used to retire debt and invest in capital assets.

### **Reportable Conditions**

In planning and performing our audit of the financial statements of the City of Westland for the year ended June 30, 2006, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

- The City did not reconcile or timely record the activity of the Community Development Block Grant Fund. This fund accounts for the activity of the Community Development Block Grant and the Home Investment Partnerships Program.

It should be noted that, over the past several years, the standards established by the AICPA have significantly changed and continue to change. The threshold for identifying and communicating matters that are deemed to be reportable conditions has dramatically changed. Additionally, effective for the City's fiscal year ending June 30, 2007, the City's audit will be subject to the AICPA's Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. It is possible that additional items may be identified and communicated to you during next year's audit. Going forward, the City will be faced with additional challenges and will need to allocate the necessary time and resources to prevent the occurrence of or rectify these and other related matters.

### **Internal Control Considerations**

During our audit, we also noted the following regarding the internal control structure. While these items are not reportable conditions, we thought it was appropriate to bring them to your attention.

- The City's new water and sewer bonds contain a rate covenant. The covenant states that the City's water and sewer rates must be set at such a level as to cover the anticipated operations, maintenance, and debt service costs. We recommend that the City take this additional covenant into consideration when setting the budget for the 2006-2007 fiscal year. Reviewing and updating the City's five-year plan would assist with this review.
- During our review of manual journal entries, it was noted that an entry was posted at the end of the year to adjust the liability recorded in the general ledger for security deposits and escrow, so that the general ledger agreed to the supporting detailed records. We recommend that the City reconcile these accounts on a monthly basis.

- During testing of capital assets, we noted an asset that was purchased without City Council approval. This new asset purchased is an addition to a previously approved purchased asset. The additional purchase was from a sole supplier, so bid solicitation was not required; however, it should not have been purchased without City Council approval.
- A local business holds a charitable event annually for the benefit of the police department. The proceeds from that event are used by the local business to purchase equipment for the police. Information regarding those transactions has not flowed through the finance department. Even though no cash was involved, the flow of documentation should occur as described in the City's internal controls.
- We performed additional internal control procedures at the City's golf course and library. No significant deficiencies were discovered. A separate letter describing the procedures, result of testing, and additional suggestions for improvement has been given to the City finance director.

### **A-133 Federal Programs Audit**

As a result of the City receiving in excess of \$500,000 of federal monies for the Community Development Block Grant and other programs, we were required to perform an A-133 single audit, which is a more comprehensive compliance audit related to the federal funds received through the various programs. Based on its size, we again selected the Community Development Block Grant Program and, for the first time, selected the River Rouge Wet Weather Demonstration Project and the EPA Special Appropriation Grant - Norwayne Watermain for testing.

The Norwayne Watermain testing revealed one finding that would require disclosure in the supplemental financial statement prepared for the A-133 single audit. For any current year contract or subaward over \$25,000, suspension and debarment certifications must be received. For one contract, the City did not receive this certification. Upon further review, it was noted the contractor in question was not on the suspension or debarment list.

Also, the reportable condition mentioned above related to the Community Development Block Grant is also a finding for the A-133 single audit. There were no findings related to the River Rouge Wet Weather Demonstration Project.

### **Municipal Finance Act Revisions - Reminder**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the City's year end (which means that filing is due December 31, 2006 for Westland) and is good for one year thereafter.

### **State-shared Revenue**

The State's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. As with the past several years, revenue-sharing payments on an individual community-by-community basis for fiscal year 2005/2006 will be funded at approximately 2004/2005 fiscal year levels.

The governor's proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue-sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2004/2005 level.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While this is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state-shared revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue-sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue-sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long-term solution to the State's structural deficit in its General Fund, and as long as this condition exists, revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

State-shared revenue accounts for approximately 17 percent of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue-sharing payments to local units of government) and the State's budget problems, which have resulted in additional appropriation reductions to the revenue-sharing line item in the State's budget, revenue-sharing payments for the last several years have been lower than anticipated.

A history of the City's state-shared revenue over the past several years is as follows:

<u>Year</u>	<u>Constitutional</u>	<u>Statutory</u>	<u>Total</u>
2001	\$ 5,782,983	\$ 4,783,419	\$ 10,566,402
2002	5,669,237	4,707,508	10,376,745
2003	5,765,216	4,148,600	9,913,816
2004	5,702,593	3,207,477	8,910,070
2005	5,838,684	2,974,266	8,812,950
2006	5,935,884	2,777,010	8,712,894
2007 (estimate)	6,102,382	2,612,509	8,714,891

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has approximately \$2.6 million at risk in its General Fund budget based on 2006 funding levels. We will continue to update the City as developments occur. The statutory formula expires in 2007 and requires action by the Legislature.



### **Tax Matters**

The governor and the Legislature spent considerable time in 2005 on business tax reform with specific focus on the Michigan single business tax. The final approved business tax reform plan appeared to spare local governments from any negative impact of the changes. A key component to this plan is a significant credit on personal property taxes paid by certain businesses. Many questions have arisen from these proposals such as who determines the property that qualifies for credit, how will local governments be reimbursed by the State for the lost tax revenue as is the stated intention, etc. Currently, the plan as passed provides for a personal property tax credit for certain businesses on their Michigan single business tax return. After the approval of these changes, new discussion and debate are ongoing regarding the complete repeal of the Michigan single business tax. While single business tax is not the source of revenue-sharing payments to local governments, the repeal of the single business tax without replacement revenue or a corresponding reduction in state spending may impact the State's ability to fund statutory revenue sharing.

The loophole involving the inconsistent treatment of the assessment of commercial property is commonly referred to as the "WPW Case" involving the City of Troy and was discussed in the fall legislative session. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases, resulting in a permanent taxable cap on property (subject to annual inflationary increases). This method of assessing commercial property (known as the "occupancy method") has been used by assessors to give commercial property owners a break when occupancy of their property has decreased and then to restore the taxable value of the property consistent with previous levels when occupancy increases. There are currently two bills in the House (House Bills 5096 and 5097) that have received hearings and consideration which would address this matter.

### **Property Assessment Cap**

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is as follows:

2006	3.3%
2005	2.3%
2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%
1998	2.7%
1997	2.8%
1996	2.8%
1995	2.6%
1994	3.0%

The 2005 inflation factor was used for property taxes levied in the City's fiscal year ended June 30, 2006. Property taxes are the City's largest source of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the City is performing long-term financial planning.

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth on the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back." However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the City is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

For the year ended June 30, 2006, the City's Headlee maximum property tax rate for its operating levy was 6.4841 mills even though the City Charter would allow the City to levy 8 mills for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated by a recent study published by the Michigan Municipal League (with the participation of the Michigan Townships Association and the Michigan Association of Counties), due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), the downward pressure on millage rates will continue, particularly given the significant gap that now exists between taxable value and state equalized value.

### **Transportation Matters**

The State experienced lower than anticipated Act 51 receipts for the State's 2004/2005 fiscal year, which ended September 30, 2005. Plante & Moran, PLLC publishes annually forecasted Act 51 distribution rates which we receive from the State and are based on its forecast of anticipated collections at the State level. If actual collections are less than amounts forecasted by the Michigan Department of Transportation, this could likely result in revenue less than budgeted amounts in the City's Major and Local Streets Fund. There is also a concern about the State's forecast for fiscal year 2005/2006. We encourage the City to be conservative in budgeting the Major and Local Streets Fund's revenue.

In 2004, the Legislature modified Act 51 to allow local governments to transfer monies from their Major Streets Fund to their Local Streets Fund if a surplus existed. As a condition of the transfer, the amended law requires that certain conditions be met including the adoption of an asset management process for the Major and Local Streets' systems. It is important to note that these provisions sunset December 31, 2008. Without an extension of this provision, a transfer from the Major Streets Fund to the Local Streets Fund can only be done to the extent that local revenues exist in the Major Streets Fund. There is also currently legislation proposed that would allow for the combination of the Major Streets Fund and the Local Streets Fund if certain conditions are met.

As part of the governor's fiscal year 2006/2007 budget proposal, a road funding program has been introduced which would provide approximately \$400 million to be used by local governments as federal match monies on local road projects. The program requires legislation before it becomes effective.

### **Telecommunications Act Changes**

Changes were made by the Legislature to restrict the ability of local governments to engage in telecommunications activities. Additionally, threats exist at both the federal and state level to restrict or eliminate the ability of local governments to regulate and franchise cable television, which would impact franchise fees received by local governments. We encourage the City to monitor their developments closely given the impact that a reduction in cable franchise fees could have on the City's budget.

We would like to thank the City and all those involved with the audit process for their assistance, especially Steve Smith, Debra Szajko, and Dwayne Harrigan. If any questions arise on reviewing the financial statements or on the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations. Thank you for the continued opportunity to be of service.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read 'Michael J. Swartz', written over a horizontal line.

Michael J. Swartz